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ABSTRACT

This research review suggests that welfare reform policy should recognize the differences between rural and urban poor families. The rural poor are more likely to be employed, married, and non-Hispanic white. Rural-urban labor market differences are also likely to influence the effects of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). For example, during expansions, urban labor markets are typically tighter, and it is tight labor markets that induce employers to offer amenities to disadvantaged workers. Hence, the 1990s economic expansion that reduced welfare rolls was probably less beneficial to the rural poor. Welfare caseloads declined unevenly in rural and urban areas in the mid to late 1990s, depending upon the state economy and welfare policy. The decline in dependence on TANF has been more universal, with food stamp dependence declining more slowly in rural communities. Even still, there is evidence that a significant number of eligible rural and urban households currently lack access to food stamps, perhaps due to PRWORA's policy thrust of limiting welfare receipt. Rural welfare "leavers" face mixed employment prospects and receive lower incomes than their urban counterparts. Because many "leavers" are employed in service occupations where earnings are low, a major policy challenge is to make work pay. Employment barriers for welfare "stayers" include lack of transportation and lack of child care, and these challenges are greater in rural than urban areas. The majority of those that continue to receive welfare, like most that leave welfare, have not graduated from high school, have an average of two children per family, and are female single parents. An appendix presents study information in table form. (Contains 98 references.) (TD)

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Rural Policy Research Institute
IOWA STATE UNIVERSITY - UNIVERSITY OF MISSOURI - UNIVERSITY OF NEBRASKA

WELFARE REFORM IN RURAL AMERICA: A REVIEW OF CURRENT RESEARCH

P2001-5

RUPRI Rural Welfare Reform Research Panel

February 2, 2001

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The Rural Policy Research Institute provides objective analyses and facilitates dialogue concerning public policy impacts on rural people and places.

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PREFACE

On August 22, 1996, President Clinton signed into law The Personal Responsibility and Work Opportunity Reconciliation Act. Title I of this new law (PL104-193) radically altered the nation's welfare system, through a comprehensive reform of the intergovernmental relationships, programs, financing and evaluative procedures utilized in administering these programs. This law repealed existing welfare programs, including Aid to Families with Dependent Children (AFDC), the Job Opportunities and Basic Skills Training Program (JOBS), and Emergency Assistance. A new federal block grant program, Temporary Assistance to Needy Families (TANF), now forms the basis for state welfare programs.

From its inception, it was clear these devolutionary public policy changes would have significant rural impacts. To assess these implications, and provide an ongoing research and decision support resource for Federal, state, and local decision makers as this omnibus legislation was implemented, evaluated, and revised over the next several years, the Rural Policy Research Institute (RUPRI) assembled a distinguished group of national rural welfare scholars, policy analysts and practitioners.

These panels have continued work over the last three years, in a number of different venues, and produced numerous policy research products, to further understanding of the unique rural implications of this significant social legislation. Listed below are the individual scholars and policy makers who comprised these original panels, along with the organizations or institutions they represented when these teams were formed. In ensuing years, there have been changes in both the composition of these panels and the affiliations of individual panelists.

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As this RUPRI initiative concludes, we would like to again express our deep appreciation to these outstanding teams, which have greatly improved public arena understanding of these unique rural implications.

In all these efforts, we have sought to assure that the most relevant rural research is brought to bear on these critical issues. We continue this approach in this final document, which synthesizes the current state of this rural research literature. We hope these findings are of assistance to policy makers seeking to incorporate rural differential impacts into their thinking regarding reauthorization alternatives. We appreciate the special efforts of the primary authors of this document, who are listed below:

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As with all RUPRI policy research, none of the aforementioned institutions or organizations is responsible for the specific content of this report, which rests solely with the primary authors identified.

Charles W. Fluharty,
Director

EXECUTIVE SUMMARY

This review of the research literature suggests that reauthorization of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) should take account of the special circumstances and social diversity of rural America. Rural families have different characteristics than their urban counterparts--the rural poor are more likely to be employed, to be married, and to be nonHispanic white. Rural communities and rural labor markets are also different than the cities, and these differences are likely to influence the effects of PRWORA. For example, the timing and effects of business cycles are likely to differ between rural and urban labor markets. During expansions, urban labor markets are typically tighter, and it is tight labor markets that induce employers to offer amenities to disadvantaged workers. Hence, the 1990s economic expansion that effectively reduced welfare rolls was probably less beneficial to the rural poor.

Welfare caseloads declined unevenly in rural and urban areas within states in the mid to late 1990s, depending upon the state economy and state welfare policy. The decline in dependence on TANF has been more universal, with Food Stamp dependence declining more slowly in rural communities. Even still, there is evidence that a significant number of eligible rural and urban households currently lack access to Food Stamps, perhaps due to PRWORA's policy thrust of limiting welfare receipt. Rural welfare "leavers" face mixed employment prospects and receive lower incomes than their urban counterparts. Because many "leavers" are employed in service occupations where earnings are low, a major policy challenge is to make work pay. Those remaining on welfare have lower incomes than those that leave the welfare rolls, yet otherwise have similar characteristics. The majority of those that continue to receive welfare, like most that leave welfare, have not graduated from high school, have an average of two children per family, and are female single parents.

INTRODUCTION

In 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). Central to this legislation was the provision that Aid to Families with Dependent Children (AFDC) and Job Opportunities and Basic Skills Training (JOBS) programs be replaced by a new program called Temporary Assistance for Needy Families (TANF). With these changes came new roles, responsibilities and expectations, and the end of cash assistance as an entitlement.

> ***"The measure of success of this legislation should not be tied to the numerical decline in the number of welfare cases. Rather, it should be linked to how well we have succeeded in offering welfare participants a genuine opportunity to realize substantive improvement in the quality of their family and work life."***
>
> *Bo Beaulieu, Director, Southern Rural Development Center*
> *Comments at the Rural Dimensions of Welfare Reform Conference,*
> *May 2000*

This devolution opens possibilities for place-based approaches, but the challenges and unique opportunities facing rural America are also brought into focus. Employment barriers such as lack of child care and scarce transportation options faced by rural welfare recipients are present for rural communities as a whole. Not only are employment and wage progression opportunities limited for those receiving welfare, but for the entire rural labor force.

As rural families and their communities work to meet the goals of welfare reform, without careful attention, their accomplishments and challenges run the risk of being left out. This white paper examines the state of research welfare reform in rural America.

Shifting Landscapes

While this is not the first time that welfare has been reformed, it is certainly one of the most sweeping reforms. The shift away from cash assistance as an entitlement has garnered considerable attention. At the same time, it is apparent that welfare reform entails a new devolutionary environment. In other words, not only has the landscape for recipients changed as a result of welfare reform, but the landscapes for state agencies and for intergovernmental relations have changed as well. This means that struggles with defining new roles and responsibilities for those receiving assistance are occurring simultaneously with changes affecting how the system itself operates in meeting its new requirements. Three key policy shifts stand out: changes in the underlying assumptions surrounding cash assistance, changes in intergovernmental relations, and changes in state options within a new block grant environment. Each of these hold implications for implementing welfare reform, but also intersect with one another, portending unique implications for those living in rural communities.

> ***"In a policy context, this diversity [of rural America] should challenge rather than paralyze us..."***
>
> *Emery Castle, Forward.*
> *Persistent Poverty in Rural America, 1993:xi.*

Welfare reform changed the system's fundamental approach to providing assistance. It moved the system focus from a form of hardship alleviation to one whose primary focus is employment. Underlying this is the assumption that the key to leaving government assistance is through employment and that this needs to be enforceable to succeed. This has meant that recipients of cash assistance have been presented with new requirements and expectations including work requirements, sanctions for noncompliance, and life-time limits to assistance.

These new expectations for recipients came hand-in-hand with new institutional expectations. Beginning with waivers and institutionalized with the 1996 PRWORA legislation, the new block grant environment opened the way for increased state policy choices. One result has been that the states' cash assistance programs now look different from one another. Under the new system, states are able to make more policy choices, albeit within federal parameters. For example, transportation is a critical need for welfare recipients, especially for rural recipients. Under welfare reform, some states allow recipients to keep a car regardless of its value, while other states chose to retain a value limit on vehicles. Likewise, while sanctions for noncompliance in one state may mean a partial benefit reduction, in another it could mean losing the cash benefit altogether. For recipients, this means that the "playing field" is different across states, depending on state policy choices and how these choices interplay with one another.

> ***"The failure of the poverty literature to adequately treat rural poverty limits its usefulness in understanding the fundamentally different character and changing nature of rural poverty and thus its value for those designing public programs to serve the rural poor."***
>
> *Kenneth L. Deavers and Robert A. Hoppe. Chapter 1 in Rural Poverty in America, 1992:9.*

Welfare reform also brought changes in intergovernmental relations, in particular, in the roles and relationships between state and federal agencies. While the block grant environment brought new options as well as new forms of decision-making and flexibility, it also created new accountability. Federal agencies must now determine state compliance and the extent to which "State actions are not furthering the objectives of the Act" through meeting requirements such as work participation rates and levels of maintenance of effort. In making this determination, the federal agency can assess penalties or bonuses on the level of federal funding a state receives. *For states, this means that they must find a way to meet the new federal requirements while at the same time meeting the needs of their recipients.*

Although the 1996 PRWORA legislation opened the way for those closest to make decisions best suited to local needs, for rural America a block grant environment does not ensure this outcome. Just as federal policy can be guided by urban-based conceptions and frameworks, policy within states likewise may be dominated by urban interests within the states. Even in a state with vocal rural constituencies, there remains the challenge of meeting the new federal employment focus within already economically- restricted communities while at the same time meeting federal requirements, or face cuts in federal funding.

Why Rural?

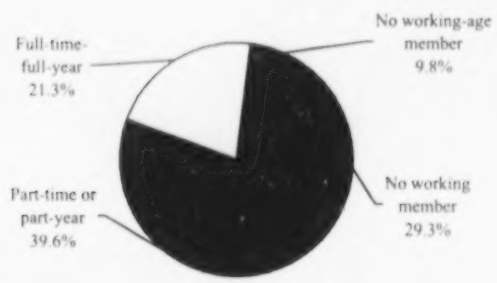
For many Americans, rural areas seem distant and removed. For some, they are seen primarily as areas to fly over on the way to someplace else, or areas to vacation in and then return home. For some, rural communities may even hold a kind of "Mayberry ideal," seen as idyllic quiet places better suited for raising children than big city life. Few realize that of the 3,086 counties in the nation, 2,248 or nearly 73 percent have fewer than 50,000 people living in them. Nor do we realize the diversity: coal and timber communities, retirement destinations, natural amenities, agribusiness, as well as persistent poverty areas, all dot the landscape of rural America. *Rural areas and communities are not just smaller substitutes for urban areas. Rather, they are qualitatively different, and those differences are consequential.*

> ***"Knowing more about rural poverty also informs us about rural economies, and the income and wealth of rural people..."***
>
> *Emery Castle, Forward.*
> *Persistent Poverty in Rural America, 1993:xi*

Poverty in rural America stands in contrast to many of our stereotypes and urban-based images of the poor. In rural communities, those facing poverty are more likely to be already employed. Poor rural families are also more likely to include two adults (see Figure 1). While the largest numbers of the rural poor are white, minorities all have much higher rates of poverty in rural areas. And the largest proportion of the rural poor live in the South, where welfare benefits are the lowest and where combinations of some of the more stringent welfare policy choices exist (Zimmerman, 1999).

Figure 1. Composition of the Nonmetropolitan Poor Population by Employment Status of Family Members, 1997

More than three out of five nonmetro poor persons live in families with at least one family member employed (or are themselves employed if they live alone).



Source: Replica of that prepared by ERS based on data from Current Population Survey March 1998

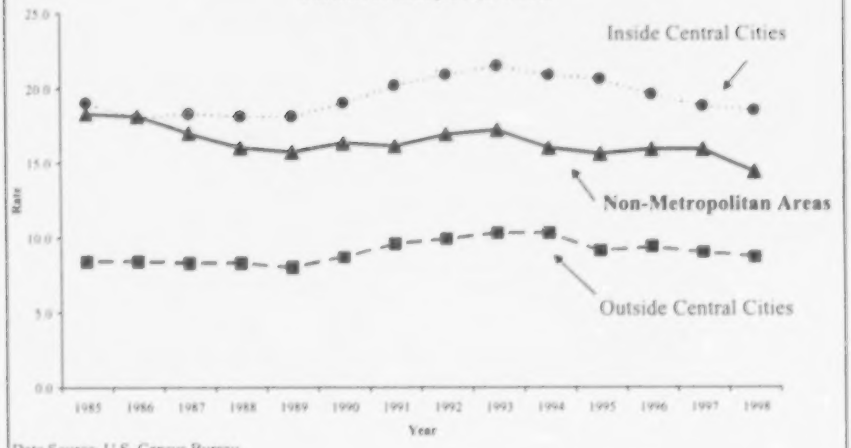
Poverty rates in rural areas are higher than in urban areas as a whole. Only in the central cities are poverty rates higher (Figure 2). Hirschl and Rank (1999) describe this pattern as an "inverse doughnut" where "poverty is high in the middle hole, low in the suburban ring, and high in the outside ring" (1999:155-6). Rural areas also contain large expanses of persistent poverty, where rates have remained high for 30 years or more. The limited local economic opportunities characteristic of rural areas is perhaps clearest when we see the overlap of both high AFDC rates of participation alongside high rates of unemployment (Figure 3). *While welfare reform shifted cash assistance from hardship alleviation to a focus on employment, these communities in particular are already faced with high unemployment rates and higher rates of the "working poor" than found in urban areas.*

The reasons for a rural differential are varied. They range from differential labor markets to different social and community contexts. Rural communities vary not only in their local economies, but nearness to metro areas can mean greater access to opportunities located there. While many rural communities have diverse local economies, many are dependent on a single sector to provide employment opportunities for residents. Manufacturing and natural resource extraction, traditional sources of higher-paying jobs, have given way to retail or service sector dependence, retirement destinations, and seasonal employment in agriculture, recreation, or tourism. Each of these hold different implications not only for local employment and earnings, but also for the local community tax base, the demand for services, and the ability to develop middle-class wage and occupational opportunities. Even still, the impact of rural/urban differences include more than the presence and type of economic opportunities. In addition to a higher reliance on minimum wage employment and fewer opportunities for advancement, rural areas also vary in relation to other key factors affecting the ability to obtain and retain employment.

In an earlier white paper, the Rural Policy Research Institute (RUPRI) Rural Welfare Reform Research Panel suggested a useful framework for delineating some of the differentiating factors for rural and urban areas that could influence success in meeting the goals of rural welfare reform (RUPRI Rural Welfare Reform Research Panel, 1999). These differences include factors such as lower educational levels with fewer opportunities for training, and less access to and availability of formal child care and health care.

Overlaying these factors is both a "friction of distance" and, in many rural areas, smaller and more integrated social networks. Travel to work, school, grocery, child care, health care, and other services spans more miles through sparsely populated areas and over sometimes difficult terrain. With public transportation a rarity, at times consisting of a single taxi serving several *counties*, ownership of a reliable vehicle is the only way to ensure access.

Figure 2. Poverty Rates by Residence in the United States, 1985-1998



Data Source: U.S. Census Bureau

Figure 3

Overlap of high AFDC dependence and high unemployment in nonmetro counties, 1995

(High means in the top quartile of nonmetro counties)

Source: Prepared by ERS using Bureau of Economic Analysis Transfers File data

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> ***"Without a conscientious effort to promote the capacity of rural communities to pursue the high road with regard to their economic development strategies, then the goal of rural welfare participants ever realizing economic self-sufficiency will remain simply unrealizable."***
>
> *Bo Beaulieu, Director,*
> *Southern Rural Development Center.*
> *Comments at the Rural Dimensions of Welfare Reform Conference,*
> *May, 2000*

In many rural communities, social networks also tend to be smaller and more integrated than those found in larger cities. While for some, this can serve as an informal system of support, informal support also requires reciprocity. These same networks can also impede an individual's opportunities, as family reputations (beyond an individual's particular actions and sometimes generations removed) can make the difference between being hired in the first place. Small networks and the stigma attached to needing help can also diminish families' willingness to participate in programs regardless of their need.

Poverty in rural areas is embedded in rural community contexts facing all community members. For example, changes such as recent declines in Medicaid also mean declines in a critical income stream for rural hospitals, affecting health care options available for all rural community members. In rural poverty we see families struggling to find affordable shelter where rental housing is scarce, struggling to earn an adequate income where earnings are already low, and finding their way to work, school, the grocery store and child care, all where public transportation is often nonexistent. The limits of middle-class job opportunities and wage progression opportunities face all members of rural communities, but hit welfare recipients especially hard.

Rural communities also face the new devolutionary environment with local officials who, in many cases, must work while also serving their communities. Rural leadership networks are smaller and tend to overlap, in some areas focusing on a few families. There are fewer nonprofit organizations and local organizational resources, and sparse population densities can stretch limited resources by increasing cost-per-client ratios. *Because poverty in rural America stands in contrast not only to urban poverty but also in contrast to our stereotypes, it challenges all of us to pursue alternative strategies and innovative approaches.*

> ***"Now is the time to enhance proven strategies and develop the new strategies that are needed to extend the benefits of our strong economy to the Americans that have, thus far, been left in its wake."***
>
> *Cornelius D. Hogan, Secretary*
> *Vermont Agency of Human Services*
> *News & Issues, NCCP, Spring, 2000*

It is also the case that the same factors that can create barriers may also create opportunities. Rural communities are important not only because of the stark challenges, but also because of their adaptive innovations in response to them. Across the country, there are rural communities that demonstrate the truth in the saying that "necessity is the mother of invention." For example, the same small leadership structures that can be an impediment in one community can in another facilitate working together. In other words, rural communities are not only qualitatively different in relation to rural poverty, but also in how some have come to respond to community issues. *Rural communities can provide lessons from which we can*

all learn. In the end, perhaps the ultimate test of welfare reform lies in how it affects families and recipients in the most distressed communities in the most remote areas.

While we often think of social programs as standing alone, with the new focus on employment, companion federal programs have also begun to be redefined and refocused. For example, the Workforce Investment Act (WIA) brings a new collaborative focus to what was the JTPA program. The CHIP (Children's Health Insurance Program) now seeks to provide health care to children of the working poor. There are also new monies for child care and transportation programs and greater flexibility in how TANF surpluses can be spent.

The prospect of Congressional reauthorization of PRWORA holds particular implications for rural areas. Although block grants are focused on putting decision-making on those closest to the issues, "while physically closer to the people they serve, State administrators still must conform to political and legal obligations that can prevent them from effectively responding to local needs. For example, where State governments are dominated by urban political interests, rural needs may be neglected" (Reeder, 1996:2).

In the face of these changes, rural communities and rural welfare recipients living there can be at a disadvantage. Without concerted attention to the impacts of welfare reform for rural families and rural communities, we run the risk of missing the impacts on families living in some of the most vulnerable areas. We also run the risk of missing their accomplishments and successes in adapting to welfare reform.

In the end, although some rural areas are moving ahead, the potential for both standing still and slipping behind are real as well. With policy variations and different political and economic landscapes in each state, there could be very different answers to the question of success for families and communities living in different areas. By working together, some rural communities are finding creative ways to make certain that devolution of federal policies create a more seamless interaction of programs at the local level. With innovative programs such as facilitating vehicle ownership and examples of successfully working together across sectors, many rural communities are doing the most with the least and possess lessons for everyone about making welfare reform work from which everyone can benefit.

Purpose and Background

The purpose of this report is to provide a synthesis of research being conducted on welfare reform in rural areas of America. This synthesis develops out of the larger agenda of the RUPRI Rural Welfare Reform Initiative. As a part of this initiative, the RUPRI Rural Welfare Reform Research Panel was asked to assess the differential rural/urban impacts of PRWORA and to analyze welfare reform issues across rural areas.

To meet these goals, this research panel provided both an overview of rural/urban differences affecting the implementation of welfare reform in rural areas, and initial analyses of national and state-level information on welfare caseloads (RUPRI Rural Welfare Reform Research Panel, 1999). The second report produced by panel members focused in depth on variations in TANF and Food Stamp caseloads across three states (Reinschmiedt, Henry, Weber, Davis and Lewis, 1999).

While there is a tremendous amount of research being conducted on many different aspects of welfare reform, far less is being done in a place-based context. Consequently, far less research is being conducted in rural areas. Still, while less common, rural research on welfare reform is being conducted on a wide array of issues. In an effort to assist those interested in this research in locating one another, a web-based database of rural research underway was compiled in 1999 and is available online at the RUPRI website.[1]

Finally, RUPRI co-sponsored with the Joint Center for Poverty Research (JCPR at Northwestern University/University of Chicago) and the Economic Research Service (ERS at the U.S. Department of Agriculture) an invited national conference "Rural Dimensions of Welfare Reform: A Research Conference on Poverty, Welfare and Food Assistance" held May, 2000 in Washington, DC at Georgetown University, and in June, 2000 held a Congressional briefing on the conference's results.

Organization of the Report

While a wide range of policy issues are being addressed by welfare reform, several key areas are emerging. These issues form the basis for organizing this research synthesis and are reflected in a series of questions:

1. **How will business cycles affect rural welfare participation?**
2. **What rural trends have emerged in Food Stamp and welfare caseloads?**
3. **What do we know about rural welfare "leavers"?**
4. **What do we know about those left behind – those still on the rural welfare rolls?**

[1] RUPRI website: www.rupri.org.

I. How Will Business Cycles Affect Rural Welfare Participation?

How will the business cycle affect the impacts of PRWORA, given that a downturn in the U.S. economy will inevitably occur in the future? Will those that have successfully left welfare return to the rolls? What adjustments can and will be made to ensure that these workers continue working?

While welfare reform appears to be a success, this "success" has occurred in the midst of an expanding economy in which labor markets have been extraordinarily tight. The effects of PRWORA during recessionary periods remain unclear. RUPRI research (1998) shows that rural areas may be hardest hit by a recession. For example, in the early 1980s' recession, rural workers were more likely to be displaced from their jobs and experienced higher economic costs after displacement than urban workers (Swaim, 1995). Rural areas may also be more rapidly influenced by the negative effects of recession (Hamrick, 1997).

Effects in a Robust Economy

Findings from the Council of Economic Advisers (1997, 1999) indicate that federal waivers and a robust economy have, in combination, served to significantly reduce dependence on welfare.[2] Overall, the Council of Economic Advisors (CEA) found:

(a) *The economy matters.* After two years, a one percentage point decline in the unemployment rate reduces the share of a state's population receiving AFDC by 4 percent. Waivers affect the caseload, at least when they authorize more stringent JOBS sanctions. A state receiving federal approval for a statewide welfare reform that allows for stricter JOBS sanctions can be expected to have a 4.7 percent decline in the incidence of public assistance receipt.

(b) *Caseloads decline when waivers are anticipated.* Perhaps the most interesting result is the presence of what the Council terms a "threat effect": state caseload growth in any year is negatively affected by the fact that the state will have a statewide waiver approved in the next year. The prospect of a waiver approval in the next year lowers the current year's receipt of public assistance by over 6 percent.

(c) *Both the economy and waivers count.* Of the decline in the aggregate national AFDC caseload between 1993 and 1996, 44.1 percent is attributed to the decline in unemployment, 30.9 percent to welfare waiver approval, and the residual is assigned to other factors (CEA, 1997:Table 3).

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[2] The CEA, however, notes that the methodology used in the well-known 1997 study can result in the following problems in interpretation of the study results: "First, it is possible that the estimated effect of waivers on AFDC receipt may be capturing the tendency for states with shrinking welfare rolls to be the ones most willing to experiment with waiver policies. Another shortcoming of this research is that it cannot determine the outcomes for those individuals who otherwise would have collected benefits had waivers not been granted" (CEA, 1997:11).

The CEA findings, as well as other studies (e.g., Sandefur and Wells, 1996), have shown that caseloads are importantly influenced by the state of the economy, and especially by the unemployment rate. How the states will respond in the face of an economic downturn is a key question (Pavetti, 1995, 1999).

Labor Market Tightness and Employer Response

Holzer (1999) notes that a number of studies (e.g., Wallace and Blank, 1999; Hoynes, 1996; Figlio and Ziliak, 1999) have estimated the influence of the business cycle or local labor market conditions on caseloads, but fewer have focused directly on better understanding the influence of the business cycle on labor market outcomes (Holzer, 1999:1). Holzer (1999) has found that labor market tightness has a *substantial effect on employer demand for welfare recipients*. His results suggest that the tightness of the labor market affects the willingness of employers (a) to provide "workplace amenities" or "workplace supports" to welfare recipients and (b) to support policy interventions to benefit welfare recipients trying to work. These include child care, training, transportation assistance, and health insurance, among other supports. Holzer (1999) also observes that tighter labor markets in general benefit the less-educated and minorities, as shown by Freeman (1991) and Bound and Holzer (1996). *This observation would suggest that the tight labor markets in the U.S. today have served to benefit welfare recipients that work and former welfare recipients, irrespective of the reform legislation.*

Implications for Rural Welfare Recipients

Holzer's results have important implications for rural America. Rural labor markets are generally less tight than urban markets, and tend to be characterized by both higher rates of unemployment and underemployment (Lichter, 1987; Findeis, 1993)[3]. As shown by Jensen, Findeis, Hsu and Schachter (1999), as the economy improves and underemployment rates decline, nonmetro residents are less likely than residents of the cities to move upward out of underemployment into adequate jobs. The effects of a strong economy on traditionally disadvantaged groups in nonmetro areas are therefore *relatively less positive* than would be the case among underemployed workers in the cities. Therefore, even in tight rural labor markets, employers have less incentive to try to provide the workplace amenities pointed out by Holzer (1999), and are less likely to provide substantial employer-initiated or employer-subsidized support for welfare recipients (Wilder Research Center, 2000).

During recession, rural areas are also likely to be harder hit. Predicting the effects of the business cycle on hiring using cross-sectional data, Holzer (1999) reports a 25 to 40 percent decline in the current U.S. demand for welfare recipients, and predicts even greater long run impacts. Holzer (1999) estimates that small businesses will experience the largest effects -- the implications for rural areas that are generally more dependent on small establishments are clear. Further, Findeis and Jensen (1998) found that in U.S. nonmetro areas, a decline in the national economy resulted in jobless nonmetro workers being less likely to find decent jobs or even marginal jobs than central city residents. The transition between joblessness and work

[3] The "underemployed" include the unemployed, those that would like to work but have given up searching since they are unable to find a job ("discouraged workers"), those earning poverty-level wages, and workers who would like to work more than part-time but whose employers are unable to provide more hours of work.

appears to be particularly sensitive to business cycles, whereas the transition between marginal jobs and the better jobs in the economy appears to be more strongly influenced by demographic characteristics than by cycles in either nonmetro or metro areas (Findeis and Jensen, 1998; Wang, 1999).

It is highly likely that recipients that now work will face employment distress in the next recession. Declines in business indicators, likely due to different underlying economic processes today than in the past, will occur, and can be expected to have significant, negative outcomes.

II. What Trends Have Emerged in Food Stamp and Welfare Caseloads?

Since the passage of PRWORA, what important trends have been observed in welfare and Food Stamp Program caseloads? Are there rural/urban differences in these trends, or important differences across and within states?

After holding steady or increasing over the 1960 to 1992 period (with the exception of only four years), welfare caseloads in the U.S. declined by roughly 50 percent from 1993 to 1999 (Ellwood, 2000). Why are people leaving welfare at this extraordinary pace? Recent research points to three key factors: (a) strength of the U.S. economy, (b) work support programs like the earned income tax credit, and (c) the incentives to join the workforce under PRWORA and the earlier waiver initiatives undertaken by some states.

Moreover, there may be a link between the decline in welfare caseloads and recent declines in Food Stamp Program (FSP) participation. Zedlewski and Brauner (1999) compare Food Stamp Program exit rates using the 1997 National Survey of America's Families and conclude that welfare leavers (starting in 1995) leave the FSP at higher rates than families that have not been on welfare. However, Wallace and Blank (1999) note a surprising scarcity of Food Stamp caseload research, given that the means-tested cash assistance programs (AFDC or TANF) and FSP are about the same in "dollar" size. They also emphasize that the kinds of jobs that former welfare clients obtain are important to the impact that welfare-to-work reforms have on FSP participation. For example, if former welfare clients mostly move into part-time or low-wage jobs, they are likely to keep their FSP benefits.

Why Look at Caseload Changes?

Caseload changes capture both entry and exit effects of changes in welfare policy (Moffitt, 1999). Looking only at the exit population says little about how potential entrants respond to new policy, the strength of the local economy or the opportunity cost of not entering the workforce. Most analyses of caseload change have been panel studies across states and years. Caseload changes appear to be sensitive to the strength of a state's economy, the nature of the changes in incentives embodied in the welfare reforms in each state, and 1997 Food Stamp Program changes. However, little is known about rural-urban contrasts in caseload responses within states where there are wide ranges in county unemployment rates and the incidence of poverty.

Urban and rural areas have very different kinds of economies. Rural economies tend to have a larger share of jobs in "routine" manufacturing, further down the product life-cycle than urban areas. Many rural areas in the U.S. also continue to be dominated by farming or extractive industries. Urban economies are almost always more diverse and offer jobs in a wider range of trade and services sectors than rural economies. And welfare caseloads appear to be affected on the demand side of the low-wage labor market by both the vitality of the economy and the kinds of economic sectors that are growing.[4] At the same time, the barriers to work in rural areas may be more severe.

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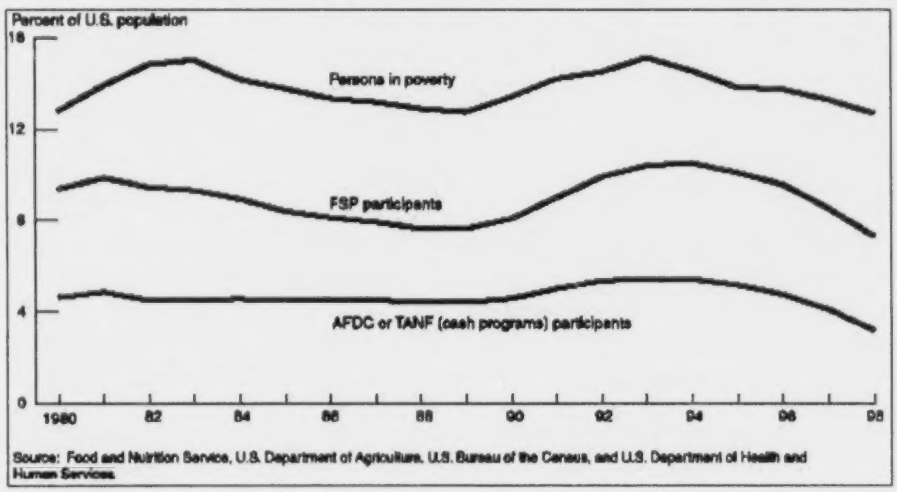
[4] Bartik and Eberts (1999) find that three state "industrial mix" variables are important to understanding caseload

Recent Trends

Since the early 1990s, the number of people in poverty, FSP participants and AFDC/TANF recipients have declined as a share of the U.S. population (Figure 4). Unfortunately, little evidence exists on rural-urban differences in the trends illustrated in Figure 4. Data from the Current Population Survey demonstrates that between 1992 and 1997 AFDC/TANF caseloads declined in rural and suburban areas by 33 percent, but by 38 percent in the central cities in Metropolitan Statistical Areas (RUPRI, 1999). Still, in the 89 counties that contain the largest U.S. cities, the national share of welfare caseloads grew from 47.5 percent in 1994 to 58.1 percent in 1999 (Allen and Kirby, 2000). These urban counties had about one-third of the U.S. population, well below their share of welfare caseloads. However, about 40 percent of these urban counties had welfare caseloads in 1999 that were less than their share of the state

Figure 4. Persons in Poverty, Food Stamp Program (FSP) Participants and AFDC/TANF Participants as Percentages of the U.S. Population, 1980-98



Reproduced from Wilde, Cooke, Gunderson, Nord and Tiehen, 2000:4.

population (Allen and Kirby, 2000), meaning that many large urban counties have lower shares of welfare caseloads than their population shares. *This shows that, while the number of welfare cases is usually larger in urban than rural counties, they may be a less dominant feature of the county demographics than in many smaller, rural places.*

The impact of welfare and the Food Stamp Program on local areas depends both on the number of caseloads and benefits per capita. Per capita benefit levels for AFDC/TANF and FSP declined sharply in both urban and rural areas from 1994 to 1997. Cook (2001) finds that per capita payments for AFDC/TANF fell more rapidly in rural counties than urban counties over the 1994 to 1997 period. In rural counties, average annual changes (1994-95, 1995-96 and 1996-97) in AFDC/TANF benefits per capita were -10.2 percent, -11.6 percent and -14.6 percent, respectively. In urban counties, the corresponding changes were -6.8 percent, -9.7 percent and -10.9 percent (Cook, 2001). States with large shares of rural and minority

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populations, like Mississippi, have had low benefit levels and therefore will have smaller per capita TANF block grants to sustain their state programs (Cook, 2001). Accordingly, per capita TANF benefit levels may decline disproportionately in more rural states. On a per capita basis, rural counties are losing cash assistance support from TANF faster than urban counties.

Alternatively, rural counties have lost Food Stamp Program support per capita at a slower pace than urban counties. Cook (2001) finds that Food Stamp benefits per capita declined by -6.0 percent, -3.7 percent and -15.7 percent in rural counties over the 1994-95, 1995-96, and 1996-97 periods. Corresponding declines were -4.5 percent, -5.3 percent, and -17.4 percent in urban counties. In general, rural counties are garnering less support per capita from the AFDC/TANF program but more support from the Food Stamp Program than their urban counterparts.

Do Studies Find Rural/Urban Differences in Caseload Reductions?

Econometric Studies

A handful of studies have tested for a "rural disadvantage" in caseload reductions using statistical controls for other factors that affect caseload changes.[5] These studies include:

- Goetz, Tegegne, Zimmerman, Debertin, Singh, Muhammed, and Ekanem (1999) who find that rural counties in Kentucky that are not adjacent to a metro county had an 18.5 % *smaller* percentage decline in caseloads than either urban counties or rural counties adjacent to urban counties (i.e., those that might have urban "spillovers"), holding other things constant.

- Mills, Alwang and Hazarika (2000) who find little evidence that nonmetropolitan single female-headed families with children are disadvantaged from welfare reform relative to their urban counterparts.

- Ziliak and Figlio (2000) who observe that in Oregon and Wisconsin there is little difference in long run welfare or FSP caseload response to the economy, but that in the short-run rural caseloads are 25 percent less responsive than urban caseloads to a stronger economy.

- Porter, Bosley, Alwang and Mills (1999) who find that, in Virginia, rural counties not adjacent to a metro area had faster welfare caseload declines than urban or rural, adjacent counties.

- McKernan, Duke, Lerman, Pindus and Valente (2000) who show, for a sample of ten communities across the U.S., that rural-urban effects on welfare participation differ across education levels. After TANF, single, urban females with less education were more likely to be employed than their rural counterparts. Conversely, rural females

[5] Some of these studies are summarized in detail in Appendix Table 1.

with higher education levels did better than their urban counterparts in finding employment after TANF.

- Henry, Lewis, Reinschmiedt and Hudson (2000) who find that, in Mississippi and South Carolina, rural caseloads decline more slowly than urban caseloads, given the same county-level rates of unemployment and job growth.

- McConnell and Ohls (2000) who find that FSP participation rates are higher in rural than in urban areas.

- Brady, Sprague, Gey and Wiseman (2000) who show that rural welfare caseloads in California are more seasonal in nature, resulting in both higher entry and exit rates in rural than in urban counties.

- Simon (1999) who shows that from 1994 to 1999, metropolitan counties in the South had a 10.5 percent greater reduction in caseloads compared to rural counties, holding other variables constant. This urban "benefit" was about equal to a 3 percentage point decline in the unemployment rate--from 8 to 5 percent.

This evidence of rural-urban differences presents a mixed picture, although some clear differences emerge. In most cases, rural counties that are remote from urban places have a disadvantage in reducing caseloads compared to urban counties. However, the data and procedures vary greatly across studies and no structural models were estimated, leaving the causes for rural-urban differences largely unknown. However, caseload patterns across states and regions are helpful for understanding the diversity of caseload changes across rural and urban places.

Case Studies: Mississippi and South Carolina

Rural-urban perspectives on caseload trends are available for a handful of states, including Kentucky, Mississippi, Missouri, Oregon and South Carolina (RUPRI, 1999). Examining Mississippi and South Carolina case studies reveals variation in rural-urban trends across two states that are otherwise very similar. The discussion below describes these differences.

Mississippi

Changes in Mississippi caseloads in the pre-TANF period can be compared with changes that have taken place in the post-reform era for three county groups: metro, nonmetro adjacent and nonmetro nonadjacent.[6] Comparing these time periods, the average monthly number of cases in the metro counties of Mississippi declined by 44 percent, while rural adjacent areas declined by 52 percent and rural nonadjacent areas by 41 percent. While there was a slight acceleration in caseload declines after the introduction of the new legislation on October 1, 1996, the change was not a dramatic one. The rural/urban share of caseload numbers has changed

[6] Nonmetro adjacent (or rural adjacent) counties are those adjacent to metro counties and nonmetro nonadjacent (or rural nonadjacent) counties are those that are not adjacent to metro counties. Also note that the terms nonmetro and rural (metro and urban) are used interchangeably here.

somewhat; the rural share of total state cases increased from 59 percent to 62 percent, the rural adjacent county share essentially remained unchanged, and the metro share dropped by almost 4 percent. These figures may be reflective of the barriers to successful welfare-to-work transitions in rural areas as reported in Beeler, Brister, Chambry and McDonald (1999).[7]

Like welfare cases, Food Stamp Program caseloads have been declining in Mississippi, but at a significantly lower rate (Table 1). Food Stamp Program receipts, not unlike that of TANF/AFDC, did not show a significant correlation to within year fluctuations in unemployment rates. Mean monthly Food Stamp case number declines were roughly half as great as that for welfare cases: 28 percent for metro, 27 percent for rural adjacent, and 23 percent for rural nonadjacent areas. In contrast to welfare cases where the rural county percentage share of total cases has increased since PRWORA, the respective percentage shares for FSP receipt within each of the county groups remained essentially unchanged (see Table 1).

South Carolina

Recent trends in South Carolina welfare caseloads show that the number of cases on AFDC/TANF has declined steadily, since implementation of the Family Independence (FI) Act in October 1996. Statistics in Table 2 suggest an important FI policy impact. From 1990 to October 1996 (before FI), the mean monthly number of cases was 1,705 for metro counties, 684 in rural adjacent and 653 in rural nonadjacent counties. After FI, the average number of caseloads per county declined by about 35 percent in rural counties (both adjacent and nonadjacent) and 29 percent in urban counties. The rural share of South Carolina cases declined from 43 percent to 41 percent, while the metro share increased from 57 to 59 percent.

In contrast to the dramatic declines in welfare caseloads since 1993, the number of Food Stamp Program cases remained stable even as unemployment rates declined in the mid-1990s. There was also no apparent reduction in FSP cases after FI, especially in the rural counties. The number of FSP cases is three to four times the number of AFDC/FI cases. In the urban counties of South Carolina, the number of FSP caseloads in the 1990s fluctuated around 80,000 households each month.

The mean number of urban county Food Stamp Program cases declined by about 3 percent from the pre-FI to the post-FI period (Table 2). In rural counties, the declines are about 1 percent. These results differ sharply from the 30 percent declines in welfare cases after FI was implemented. Since FI does not end Food Stamp eligibility and many of the jobs taken by former FI clients are in entry-level service sector jobs, it is not surprising that many former welfare clients draw on Food Stamps to help cover the basic cost of living.[8] It appears that rural households may have more of a long-term need for Food Stamp Program assistance than households in metro counties. This may be attributable to a more attractive mix of job opportunities (and earnings potential) in metropolitan counties than in nonmetro counties. Or it may reflect differing demographic characteristics of urban and rural low-wage households that suggest more persistent needs for FSP assistance in rural areas.

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[7] Key findings in this leaver study are summarized in Reinschmiedt, *et al.* (1999).

[8] However, Zedlewski and Brauner (1999) found that former welfare clients exited the FSP at a greater rate than those not on AFDC/TANF over the 1995-97 period.

Table 1. TANF and Food Stamp Caseloads by Urban/Rural Classification in Mississippi, October 1991 - April 1999.

	Monthly average		Percent	Share of state total	
	Pre-TANF[a]	Post-TANF[b]	Change	Pre-TANF[a]	Post-TANF[b]
TANF/AFDC caseloads:			(%)	(%)	(%)
All counties	55,372	31,123	-43.8	100.0	100.0
Metro[c]	13,589	6,573	-51.6	24.5	21.1
Nonmetro, adjacent[d]	9,361	5,291	-43.5	16.9	17.0
Nonmetro, nonadjacent[e]	32,422	19,259	-40.6	58.6	61.9
Food Stamp Program recipients not receiving cash assistance:					
All counties	190,669	142,722	-25.1	100.0	100.0
Metro[c]	44,654	32,174	-27.9	23.4	22.5
Nonmetro, adjacent[d]	35,451	25,823	-27.2	18.6	18.1
Nonmetro, nonadjacent[e]	110,564	84,726	-23.4	58.0	59.4

[a]October 1991 - September 1996.
[b]October 1996 - April 1999.
[c]Metro counties are those classified as Metropolitan Statistical Areas, 1998 (n=7 for Mississippi).
[d]Nonmetro, adjacent counties are those adjacent to metro counties (n=19).
[e]Nonmetro, nonadjacent counties are those not adjacent to metro counties (n=56).

A key finding is that rural counties in South Carolina do not seem to be at a disadvantage in reducing caseloads. The state share of caseloads in rural counties is smaller after FI than before. However, population and the associated resident labor force may also be growing faster in metro counties than in rural counties. If so, caseloads *per capita* may be increasing in rural areas relative to urban areas. A summary of surveys of former FI clients presented in Reinschmiedt, *et al.* (1999) indicates that inadequate public transportation and childcare continue to be barriers to reducing welfare caseloads in Mississippi. However, without a rural/urban distinction in the South Carolina leaver surveys, it is not clear that these barriers are worse in rural than in urban counties.

Table 2. TANF and Food Stamp Program Caseloads by Urban/Rural Classification in South Carolina, January 1990-August 1998.

	Monthly average		Percent	Share of state total	
	Pre-TANF[a]	Post-TANF[b]	Change	Pre-TANF[a]	Post-TANF[b]
TANF/AFDC caseloads:			(%)	(%)	(%)
All counties (*average)*	1,035	708	-31.6	100.0	100.0
Metro[c]	1,705	1,209	-29.1	57.3	59.3
Nonmetro, adjacent[d]	684	446	-34.8	34.5	32.8
Nonmetro, nonadjacent[e]	653	424	-35.1	8.2	7.8
Food Stamp Program caseloads:					
All counties (*average)*	3,075	2,997	-2.5	100.0	100.0
Metro[c]	5,080	4,906	-3.4	57.5	56.9
Nonmetro, adjacent[d]	2,078	2,051	-1.3	35.3	35.7
Nonmetro, nonadjacent[e]	1,714	1,692	-1.2	7.3	7.4

[a]January 1990 – September 1996.
[b]October 1996 – August 1998.
[c]Metro counties are those classified as Metropolitan Statistical Areas, 1998 (n=16 for South Carolina).
[d]Nonmetro, adjacent counties are those adjacent to metro counties (n=24).
[e]Nonmetro, nonadjacent counties are those not adjacent to metro counties (n=6).

Determinants of Caseload Decline

Ellwood (2000) makes several key observations about how means-tested benefits in the welfare system (AFDC/TANF and Food Stamps) and income support programs for working, low-wage households, especially the Earned Income Tax Credit (EITC), have changed since the early 1990s, to provide powerful incentives to leave welfare. First, the real value of welfare benefits in the median state is now about half the 1970 level. Second, the EITC benefits expanded dramatically in the early 1990s. Third, there is expanded support for childcare and Medicaid coverage for children of a single parent working full-time at the minimum wage. In one comparison, a single parent working full time at the minimum wage in 1986 would gain total real "disposable" income of $2,005, about a 24 percent gain over AFDC, and lose all Medicaid coverage by leaving AFDC. By 1997, the same parent would gain real disposable income of $7,129 by leaving TANF for a full-time minimum wage job. This gain roughly doubles the disposable income of the working parent in 1997, in the median state.

Chernik and McGuire (1999) also argue that the EITC has substantially increased the benefits of moving from no work to at least part-time work.[9]

From a national perspective, Ellwood (2000) identifies factors that account for the dramatic decline in welfare caseloads since 1993. These include:

- A declining level of real welfare benefits per recipient since the 1970s. Inflation ravaged the purchasing power of AFDC benefits, with real benefits about half of their 1970 level, in the median state.

- Support for low-income families with an attachment to the workforce grew rapidly starting in the early 1990s, primarily because of expansion in the Federal Earned Income Tax Credit (EITC). Since 1996, Federal expenditures on the EITC have exceeded the real value of welfare benefits paid by state and federal governments.

- Growth in the U.S. economy from 1993 through 1999.

- Expansion of Medicare coverage to all children 18 and under, if family income is at or below the poverty level.

- Expanded support for childcare in some states.

- Some states creating their own EITC to supplement the Federal EITC.

Meyer (2000) summarizes these effects by noting that "recent declines in AFDC and the FSP appear to be the result of the combined effect of the strong U.S. economy and policy changes that made work more available and more attractive compared to welfare" (Meyer, 2000:*abstract*).

While there is little debate that each of these factors plays a role in reducing caseloads, the impacts of these factors vary greatly across rural and urban counties in the U.S. For example, welfare benefit levels, job growth, childcare programs and EITC benefits differ across states and between rural and urban places within states. *Are rural counties at a disadvantage compared to metropolitan areas in reducing caseloads? The answer depends on where in a heterogeneous rural America you are and which urban places form the basis for comparison.*

The Possibility of a "Rural Disadvantage"

Some state caseload trends, for example in Kentucky, Mississippi and Oregon, suggest there are more severe barriers to moving off public assistance and more need for food assistance in rural counties compared to urban counties. On the other hand, other state trends, for example, in Missouri and South Carolina, show urban counties at a disadvantage (RUPRI, 1999).

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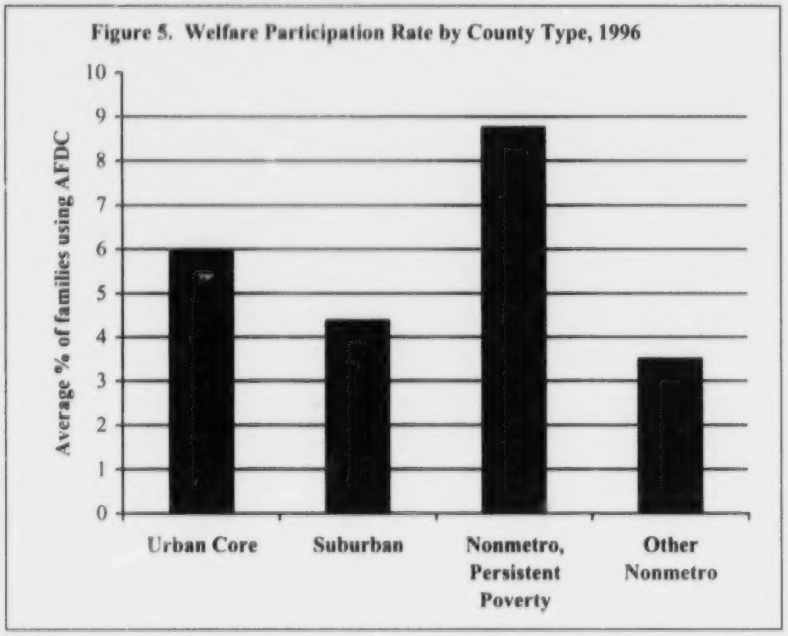
[9] Wallace and Blank (1999) and Meyer and Rosenbaum (1999) also discuss possible EITC impacts on welfare caseloads and the high marginal "tax rate" the EITC recipient pays above a low threshold income in reduced EITC payments.

Across the nation, there is little difference in the average caseload reductions between rural and urban counties. However, averages and simple trends can be misleading (Weber and Duncan, 2000). For example, averages do not control for the strength of the local economy in providing new jobs for former welfare recipients. Some urban and rural counties have grown rapidly and reduced caseloads in a dramatic fashion. *However, a key message from caseload studies is that both persistent poverty counties in rural America and a group of about 50 large urban core counties have the most difficulty reducing caseloads. The reasons that these "problem" counties have difficulty reducing their caseloads differ across rural and urban places.*

Like the 50 or so urban counties with larger shares of welfare caseloads than population, about 600 rural counties (23 percent of all rural counties) are "persistent poverty" counties and most have welfare caseloads far in excess of their population shares. The average incidence of welfare usage in these county types is illustrated in Figure 5.

Unlike urban areas that have booming suburban rings to absorb new entrants to the labor force, rural counties often have stagnant economies with little hope of providing jobs to those who leave welfare. The spatial mismatch between the urban-core unemployed and suburban job growth centers has been studied intensively and programs have been developed to ameliorate spatial mismatch problems (Holzer, 2000). However, policy or programs to foster links between rural places and urban job growth centers are practically non-existent. Slow employment growth in lagging rural places means that rural Food Stamp and welfare caseloads will be difficult to reduce -- mobile TANF recipients will simply migrate to urban job centers.

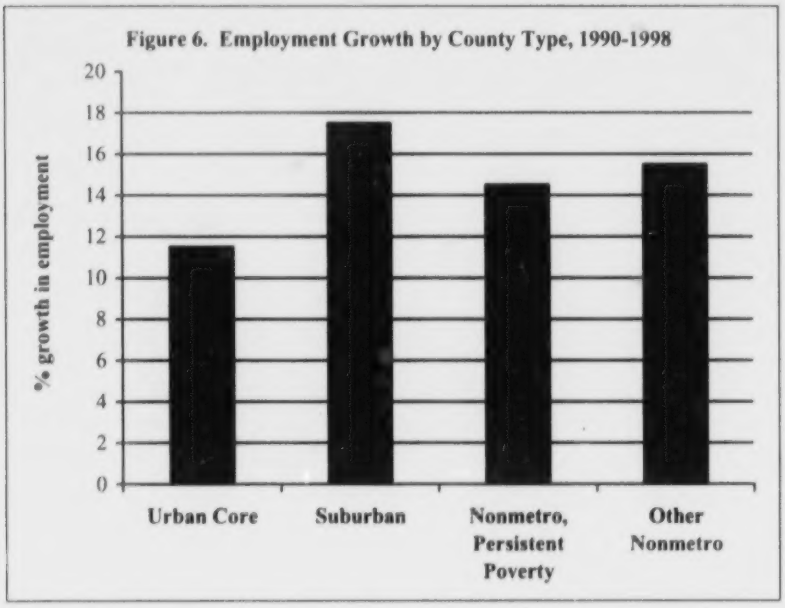
Figure 5. Welfare Participation Rate by County Type, 1996



Source: REIS, U.S. Department of Commerce and ERS, U.S. Department of Agriculture.

While national studies find that faster job growth has contributed to reductions in welfare caseloads since the early 1990s, are jobs growing in the local labor markets that have the greatest need to provide opportunities for those leaving welfare? Job growth from 1990 to 1998 was slowest in urban core counties and fastest in suburban counties (Figure 6). Rural job growth was slower in persistent poverty counties than elsewhere in rural America, although rural job growth in the U.S. overall outpaced that in the metro core. Using this indicator of local economic vitality, the urban suburbs should have more success in reducing welfare caseloads than rural counties, although the urban core will fare worse than rural counties.

Figure 6. Employment Growth by County Type, 1990-1998



Source: REIS, U.S. Department of Commerce and ERS, U.S. Department of Agriculture.

Recent studies provide insight into the growth of low-skill occupations needed by former welfare clients. First, drawing on Bureau of Labor Statistics national occupational forecasts from 1996 to 2006, Burtless (2000) reports that, through 1998, the national economy provided enough jobs to absorb new entrants into the labor force who were former recipients of welfare. However, he is less sanguine about the continuing ability of the national labor market to absorb large numbers of single mothers and others that may be forced to leave TANF as time limits become binding.

While the capacity of the rural economy to absorb former welfare recipients is not known, Howell (2000) finds that many labor markets in rural Mississippi are unlikely to be successful in generating the jobs that will be needed to absorb former welfare recipients, especially those in the persistent poverty counties of the Delta Region. Other areas in rural America with pockets of persistent poverty might be expected to have similar difficulties generating the job

growth needed to absorb former welfare recipients (Henry, *et al.*, 2000). For example, as illustrated in Table 3, persistent poverty areas in the South often comprise over 50 percent of all rural counties in these states. In general, the incidence of poverty is highest in the rural parts of these states (and in the rural U.S. overall).

Table 3. Poverty Status: The U.S. and the South, 1995.

	Persistent Poverty	People in Poverty	
	Nonmetro Counties[a]	Metro	Nonmetro
	(%)	(%)	(%)
United States	23	13.3	16.0
Alabama	52	16.2	20.6
Arkansas	48	15.0	21.0
Florida	36	14.9	18.9
Georgia	54	13.8	19.4
Kentucky	55	13.8	21.7
Louisiana	82	20.1	24.8
Mississippi	83	16.5	23.6
North Carolina	29	11.6	16.1
Oklahoma	32	15.9	21.6
South Carolina	53	14.0	19.5
Tennessee	30	14.0	16.0
Texas	37	17.8	25.9
Virginia	7	10.2	15.0

Source: Tootle, 1999.

[a]These counties had poverty rates of 20 percent or more in each decennial Census year since 1960 (before the 2000 Census) and were home to 44 percent of all poor in 1990 (Nord, 1997:2).

Summary

Evidence presented here suggests that persistent poverty rural areas will have more difficulty than most urban areas in reducing rates of both welfare and Food Stamp Program participation, under similar other conditions. For example, in Mississippi, rural counties with a strong orientation toward farming and those in the Delta Region are likely to face the most difficulty in reducing both welfare and FSP caseloads. Why the rural disadvantage exists in these areas is an open question. It may mean that improved rural transit to link rural residents to urban employment growth areas is needed to reduce rural caseloads. Child care, job training and other assistance to rural welfare clients may have to be more widely available. Since rural clients tend to be dispersed geographically, rural efforts to reduce barriers to leaving welfare are likely to be more expensive on a case-by-case basis than in urban centers.

At the same time, one important qualifier to evidence suggesting a "rural disadvantage" is worth emphasizing. States like Mississippi have few, if any, metropolitan areas with urban core counties that have the concentrations of poverty and TANF dependence associated with larger MSAs in the rest of the country. Smith and Woodbury (2000) find that urban core cities do worse than the suburbs or non-urban areas in providing jobs for low-wage labor. No studies provide direct tests comparing the difficulty in reducing caseloads in persistent poverty rural counties and the disadvantaged urban core. *However, it is a reasonable conjecture that both types of counties will need special legislative attention to address the unique problems each face in reducing welfare dependence.*

III. What Do We Know About Rural Welfare "Leavers"?

Who Are They?

Who are the former welfare recipients leaving the welfare rolls? How do they compare demographically with those who remain on welfare, or to those who leave and then return to welfare after a short time? Are certain groups more able to make the transition off welfare? And are certain groups facing greater difficulties and, therefore, being "left behind"?

These are important questions that may help us answer whether welfare reform is eventually successful. This requires looking beyond caseload numbers for a comprehensive assessment of welfare reform to assess whether people who leave welfare are finding jobs, and if so, if they are making enough money to make ends meet. Until it is known whether rural and urban recipients experience welfare reform differently, and if so in what ways, welfare policies that benefit some communities may hurt others. The underlying assumption used here is that policy makers have a responsibility to continually reexamine and revise policy to provide the best possible odds for a successful transition to work, and to equitably support those unable to work.

Demographic Characteristics

Studies by Sandoval (1999) and Loprest (1999) use two different methods of assessing the characteristics of welfare leavers. Sandoval compares "exiters" (defined as those who leave welfare after one year) and those who stay on welfare, using Current Population Survey (CPS) data; while Loprest compares "leavers" and other low-income non-recipients, using data from the National Survey of America's Families (NSAF). Both studies find that, like most current welfare recipients, welfare exiters or leavers are for the most part female, under age 35, and have children. Many leavers lack a high school education, and the distribution of leavers is uneven across regions of the country.

Sandoval (1999) cites earlier studies showing that leavers who are younger, less educated, and from urban areas are also more likely to return to welfare. Studies have also shown that the more barriers to employment a welfare recipient faces (e.g., physical or mental health problems, lack of job skills, lack of education), the more difficult it is to successfully leave welfare (Danziger, *et al.*, 1999). Therefore, those who successfully leave welfare are likely to have faced fewer of these barriers.

Current Population Survey (CPS) data for 1996-97 show that those able to leave welfare are slightly less likely than those who remain on the rolls to be non-white (53 percent versus 59 percent), more likely to be under age 25 (23 percent versus 18 percent), less likely to be female (88 percent versus 96 percent), and slightly less likely to have graduated from high school (35 percent versus 38 percent). A larger difference is found when looking at region of residence. Forty percent of exiters live in the South, compared to only 29 percent of those remaining on welfare. A large proportion of both exiters (76 percent) and current welfare recipients (81 percent) are living in metro areas. In metropolitan areas, 58 percent of leavers are non-white, 21 percent are younger than 25, and 89 percent are female. In nonmetro areas, fewer leavers are non-white (38 percent), more are under age 25 (29 percent), and only slightly fewer are

female (83 percent).

Loprest's 1999 study, while comparing leavers with other low-income families rather than comparing exiters and current recipients, reports findings similar to those of Sandoval in terms of the characteristics of those able to leave welfare. Data for 1997 from the National Survey of America's Families show that, similar to the CPS, about half of leavers are non-white, about a third are under age 25, the vast majority are female, and about a third lack a high school diploma. Forty-two percent of leavers live in the South. These findings closely mirror those of the CPS in Sandoval's study. The only way that leavers differ demographically from low-income mothers in Loprest's study is age. Leavers are more likely to be under age 25 than are low-income mothers (31 versus 17 percent). Unfortunately, the Loprest study did not include a metro/nonmetro variable.

A study conducted by the National Welfare Reform Watch Project (1999), interviewed a variety of patrons of various programs from soup kitchens to literacy projects and asked if they received public assistance. Therefore, this is not a study of welfare leavers *per se*, and the results are not directly comparable to those of the other two studies. However, it is interesting to note that the respondents in this study closely resemble the CPS and NSAF welfare leavers in terms of their demographic characteristics. A majority of the respondents are women, and about a third are under age 30. However, a larger proportion of the respondents (71 percent) are non-white than in the other two studies. The study also reported that 38 percent of respondents live in non-urban settings.

Household Characteristics

Household characteristics of leaver families based on CPS and NSAF data are similar. Both Loprest (1999) and Sandoval (1999) report similar percentages of leavers who have never been married (32 percent and 37 percent, respectively). However, Loprest reports a much lower percentage for low-income non-recipients (11.4 percent) and Sandoval reports a much higher percentage for current welfare recipients (51 percent). Loprest finds that 61.4 percent of leavers have never been married, which is quite close to the 66 percent reported by Sandoval. Once again, Loprest reports a lower proportion of single parents among low-income non-recipients (31.8 percent) and Sandoval reports a higher proportion among those currently on welfare (88 percent). Sandoval reports the mean number of children per family as 1.8 and Loprest reports that 66.6 percent of leavers have one or two children, with slightly more two- than one-child families. In Sandoval's study, the mean number of children increases slightly for current welfare recipients to 2.1, but Loprest reports no difference in family size between leavers and low-income mothers.

Comparing metro and nonmetro exiters shows that those living in nonmetropolitan areas are less likely to be single parents (59 percent versus 68 percent), less likely to be never married (33 percent versus 38 percent), and have about the same mean number of children as exiters living in metro areas.

It appears that low-income families that have not been on welfare experience conditions that are the most conducive to self-sufficiency, while those currently receiving welfare face the greatest barriers to self-sufficiency. Of the three groups identified above (low-income non-

recipients, welfare leavers, and current welfare recipients), the low-income non-recipients identified by Loprest are the least likely to be under age 25, to have never been married, and to be single parents, while the recipients that have remained on welfare are the most likely to be under 25, never married, and single parents. The "never married" variable has important policy implications because parents that have never been married have a lower probability of ever receiving child support, an important income source for single parents.

While Loprest (1999) showed no significant differences between leavers and low-income mothers except age, Sandoval (1999) found that those unable to leave welfare are more likely to be non-white, less likely to be under 25, more likely to be female, and much more likely to live in the South than those who successfully leave welfare. The fact that the population of welfare recipients looks demographically different from both those who are able to leave welfare *and* low-income non-recipients suggests that this population has *specific* characteristics that prevent them from leaving welfare. Therefore, if welfare reform is to be truly successful, policy must specifically address the needs of this population and the specific barriers this population faces in moving from welfare to work.

Finally, race appears to be the most significant demographic difference between metro and nonmetro leavers. Whereas age, household composition and marital status reveal slight differences, *race emerges as a stark contrast.* Compared to urban areas, there is much more racial homogeneity among rural welfare recipients and leavers.

We surmise that racial discrimination (or lack of) in employment and housing is a salient issue affecting leavers in urban areas, if only because the majority of metro leavers are African American or Hispanic. The situation in rural communities is quite different where, except for select rural communities in the Mississippi Delta, Indian reservations and in the Southwest, race and ethnic discrimination is not generally part of the picture. Because the majority of rural welfare leavers are white, racial stereotypes about welfare recipients derived from the urban landscape simply do not apply.

How Are Leavers Faring?: Employment, Income and Poverty Status

Employment and Wages

Are leavers working? If so, what kinds of jobs are they getting? How many hours are they working? And do they earn more than the minimum wage?

We find that, although *most* leavers are finding jobs, a sizeable proportion *are still not working.* They have short job tenure in comparison to the low-income population as a whole, and although a sizable proportion of leavers work more than 35 hours per week, many work in part-time jobs. The most common occupation among leavers is low-wage, service work.

Research suggests that employment rates for welfare leavers vary, ranging from 50 percent (Beaulieu, 1999), to 61 percent (Loprest, 1999), to about two-thirds (Cancian, *et al.*, 1999), to a high of 87 percent in one state (GAO, 1999). According to Loprest (1999), *twenty-five percent of leavers in the U.S. are not working and have no partner working.*

Using the employment rate as a measure of success after welfare can be somewhat misleading. The employment rate for leavers is higher than for low-income mothers under 150 and 200 percent of the poverty line, which suggests that leavers are finding jobs *more easily* than low-income non-recipients. Looking at *family* employment rates, however, reveals that leavers have lower employment rates compared to other low-income families (Loprest, 1999). In the general population, low-income mothers are more likely to have partners working than welfare leavers, yet leavers are more likely to work themselves. Low-income mothers may indeed be less likely to work, but not necessarily because they cannot find jobs. Higher employment rates among leavers do not translate into greater income or prosperity than that of low-income mothers.

More than two-thirds of employed leavers work 35 hours or more per week, and only 6 percent are working less than 20 hours per week. In contrast, fewer low-income non-recipient mothers work full-time and more (10 percent) work part-time. In addition, there is evidence that leavers have shorter job tenure than low-income non-recipients (Loprest, 1999). Loprest found evidence that more than a quarter of leavers work nights, which can make finding child care difficult and expensive.

Perhaps a more important issue than raw employment is the quality of jobs that leavers are finding. Most welfare recipients have less than a high school education and few have work experience, two critical factors that give shape to the quality of jobs that leavers are able to secure and the wages they earn (Beaulieu, 1999). Consequently, the service industry is the most common provider of employment for both leavers and low-income mothers, and the service industry pays the lowest average wages by sector (Loprest, 1999; Sandoval, 1999). In fact, Sandoval found that leavers working in any sector except services increase their incomes by 15-36 percent, *while service workers actually lost 14 percent of their income compared to a year on welfare.*

Finally, are leavers earning enough to lift themselves and their families out of poverty? Studies show that the majority of leavers earn a wage that falls just above the minimum wage. The median hourly wage of employed leavers in the U.S. is $6.61. This is equal to the twentieth percentile of hourly wages for all workers in the U.S., and between the twentieth and thirtieth percentiles for female workers. Twenty-five percent of leavers make more than $8/hour and 25 percent earn less than $5.29/hour (Loprest, 1999; Cancian, *et al.*, 1999).

Other Income Sources and Non-Cash Assistance

On what other sources of income do leavers rely, other than their own earnings? Are leavers that either do not work or earn the minimum wage continuing to rely on non-cash assistance after they leave welfare and how important is it? And do leavers who need continued support actually receive it?

In this review, we find that non-cash assistance, Social Security benefits, Supplemental Security Income (SSI), and child support are all important sources of continuing support for certain groups of leavers. Less than half of those leaving welfare increase their income when they leave welfare, and leaver incomes are lower now than ten years ago. The vast majority of leavers remain below 150 percent of the poverty line.

Loprest (1999) finds that 34 percent of non-working families received child support payments and 17 percent received Social Security benefits. About half of those who say they cannot work due to disability reported receiving Supplemental Security Income (SSI) in 1996. Altogether, 47 percent of non-workers report at least one of these sources of cash income (i.e., child support, Social Security, or SSI).

Non-cash benefits that leavers may be eligible for include subsidized childcare, Medicaid, and Food Stamps. Leavers may also rely on assistance from family and friends, emergency shelters, food banks and soup kitchens. Public assistance agencies may provide help with transportation costs, job training, and other job costs. Cancian, *et al.* (1999) report that about two-thirds of leavers receive some type of government benefit in the first year after leaving welfare. In subsequent years this declines to about 35-45 percent. According to Loprest (1999), the most-used support is Medicaid, both in the initial three months after leaving welfare and at the time of the interview (some time within two years of leaving). Loprest (1999) reports that only a third or less of employed leavers have employer-sponsored health insurance, compared with half of all workers under the age of 65. According to GAO (1999), in the five states that reported reliance on non-cash public assistance, between 44 and 83 percent of leavers received Medicaid benefits, and between 31 and 60 percent received Food Stamps.

Use of these benefits appears to decrease with time off welfare, as indicated by the difference in receipt of government benefits between all former recipients and those that have been off welfare less than six months. The use of Food Stamps and Medicaid for both children and adults is significantly higher for the latter group (Loprest, 1999).

Distinguishing between individuals no longer in need of benefits and eligible individuals that no longer receive benefits has implications for understanding public access to programs.

Common knowledge explains the decrease in Food Stamp Program caseloads as due to an expansion of employment opportunities. However, a study by Nord (2000) finds that, while the sharp decline in FSP caseloads has been largely attributable to increased incomes, the decline is also partially due to decreased use of Food Stamps by families that are *still eligible for the program*. Nord (2000) interprets this finding as evidence that Food Stamp use *among eligible families* decreased for two reasons: (1) a decline in need, and (2) a decline in access to Food Stamps. This finding is the same for both rural and urban areas.

Income and Poverty Status

The median combined monthly earnings among leaver families is $1,149. These monthly earnings translate into an annual income roughly at the poverty line for a family of three (Loprest, 1999). As shown by the administrative data analyzed by Cancian, *et al.* (1999), half of all leavers did not obtain the income level that they received just before leaving AFDC. About 32-40 percent of leavers increased their economic resources while the rest did not. Sandoval (1999) finds that median income is 15 percent *lower* for leavers than for those who remain on welfare, and that over half of all leavers lost over 25 percent of their income when they left welfare. It is also important to note that median incomes for those leavers who do

hold jobs are lower now than in the 1980s (Sandoval, 1999).

One of the most aggressive strategies for getting recipients off the rolls and into jobs are work-related waivers. These involve either incentives designed to encourage work or work requirements that result in sanctions if the recipient fails to comply. Presumably, these waivers are designed not just to get people off welfare, but also to move them into a position of self-sufficiency so that they no longer need government assistance. Connolly (2000), however, reports that waivers have either no effect on income growth, or, in some cases, a statistically significant *negative* effect. The study "suggests that families who are subjected to these waivers are generally no better off, and potentially worse off, as a result of welfare reform" (Connolly, 2000).

Cancian, *et al.* (1999) find that the poverty rate among leavers is about 50 percent, but that if only the income of leavers themselves is counted (excluding other family members), the poverty rate is around 75 percent. According to administrative data, only 9 percent of continuous leavers had cash incomes (including Food Stamps) at 150 percent of the poverty threshold. Those that left AFDC and did not return had only about a 25 percent chance of escaping poverty. According to GAO (1999), 57 percent of leavers in Oklahoma had household incomes at or below the poverty line, 57 percent of leavers in Indiana had monthly incomes below $1,000, and the average total family income of leavers in Washington was 130 percent of poverty.

Extent of Recidivism Among Former Welfare Recipients

Once recipients leave welfare, how likely are they to return? And what factors contribute to a return to welfare?

In this review, we find that about one-third of leavers return to the welfare rolls. However, because recidivism is not reported in many state studies, it is difficult to generalize the rate of return to welfare on a national level. Also, many studies limit their analysis to "continuous" or successful leavers that have managed to stay off welfare for at least 15 months. Maryland and Wisconsin report recidivism rates between 19 and 30 percent, depending on the length of time off welfare (Cancian, *et al.*, 1999; GAO, 1999).

A study by Brady, *et al.* (2000) linked recidivism to employment patterns in rural California counties. The seasonality of employment in rural and agricultural areas was found to affect the length of time leavers remain off welfare as well as the rate and time of year when they return. Findeis, Smith, McLaughlin and Jordan (1992) also showed higher rates of intermittent poverty in rural areas of the U.S. using the Panel Study of Income Dynamics (PSID). Therefore, the five-year lifetime limit for welfare receipt may have different and more serious implications for recipients living in areas where job markets expand and contract seasonally.

Seasonality of employment is one explanation for why leavers return to the rolls, but it is clearly not the only one. A study by Jensen, Keng and Garasky (2000) examined why recidivism happens in the context of the Iowa Family Investment Program (FIP). The study finds that living in a nonmetro area increases the likelihood of re-entry into FIP, while higher wage income and child support decrease the re-entry rate. Number of children in the family

and Food Stamp receipt are also positively associated with return to FIP. This suggests that the Food Stamp Program acts as a safety net for those most at risk of returning to FIP. The current unemployment rate had no effect on recidivism. The study concludes that policies directed toward enhancing human capital (e.g., formal education, job training), enforcing the payment of child support, and ensuring the continued availability of food assistance will be the most significant policies for helping families achieve economic self-sufficiency.

Rural/Urban Differences in the Economic Status of Leavers

Many questions remain as to the differential effects of welfare reform in rural and urban areas. One indication that leavers are *not* having the same experiences in both environments is that, although caseloads declined in the central cities, suburban areas, and rural areas by comparable amounts, labor force participation among the poor in rural areas *did not change* between 1992 and 1997. In contrast, labor force participation among the poor in the central cities and suburban areas increased by 8 and 4 percent, respectively (RUPRI, 1999). The working age poverty rate in rural areas also *did not change* between 1992 and 1997, while central cities and suburban areas saw declines of 7 and 10 percent, respectively. Finally, child poverty declined at a lower rate (4 percent) in rural areas than in the central cities or suburban areas (12 and 7 percent, respectively).

Rural areas tend to have higher levels of underemployment and fewer community resources. *When they do find jobs, rural workers are more likely to earn the minimum wage, and rural families are more likely to be employed and still be poor.*

Rural Barriers to Employment

Leavers in rural areas often face more barriers to entering the workforce than their urban counterparts. Among these barriers are lack of access to transportation; lack of childcare, health, and emergency services; lack of education; and higher local unemployment and underemployment rates relative to most metro areas. All welfare recipients face these challenges, but conditions in rural areas may make finding solutions more difficult. Low population density in rural areas usually means that services are fewer, less accessible, and farther away. Workers also often have to travel farther to get to work, and most welfare recipients, rural or urban, do not have private transportation. These difficulties are exacerbated in rural areas by the lack of public transportation, which is much more widely available in urban areas (Fletcher, *et al.*, 2000).

Lack of education and job skills also make finding a good job difficult for all welfare leavers. However, the challenge can be more formidable in rural areas. Lichter and Jensen (2000) report high school graduation rates as low as 40 percent in some Appalachian counties. Among welfare recipients in the rural South, more than 50 percent have less than a high school education (Beaulieu, 1999). The educational composition of the rural labor force is exacerbated by the out-migration of educated people from nonmetro to metro areas. Even among college-educated workers, average earnings are lower in rural than in urban areas, and the poverty rate among college-educated workers is higher in rural areas (Lichter and Jensen, 2000).

Given these differences, it is clear that rural areas face unique challenges in meeting the requirements of welfare reform while also supporting child and family well-being. The rural occupational structure for leavers has shifted since the 1980s to become heavily dependent on less lucrative service employment (55 percent of all rural leaver employment since 1996, according to Sandoval, 1999). This may reflect a growing disparity between metro and nonmetro work opportunities. For example, one-third of all rural leavers in the labor force work part-time compared to 26 percent of metro workers, nonmetro leavers lose twice as much income compared to metro leavers when leaving the welfare rolls, and the median income among nonmetro leavers is 24 percent *less* than that of their metro counterparts (Sandoval, 1999).

Rural areas are also more likely to have cyclical or seasonal employment patterns than urban areas and therefore different patterns of welfare receipt. The Brady, *et al.* (2000) study reported that in rural counties where seasonal employment is common, welfare recipients have more and shorter spells on the rolls than their urban counterparts, and are more likely to be on welfare in the winter months and off the rolls in the summer. What this suggests is that welfare use patterns are indeed closely related to the dynamics of the job market. Therefore, welfare reform policy must address the unique employment dynamics of rural and urban areas, if it is to be successful.

The rate of recidivism appears to be higher in nonmetro areas than in metro areas. One study suggests that rural welfare recipients are more likely to leave welfare then their urban counterparts, but are also more likely to return. Urban recipients, on the other hand, are less likely to leave than their rural counterparts, but once they do leave they are less likely to return right away (Jensen, *et al.*, 2000). The reasons for this pattern are unknown, but the likelihood of seasonal employment in rural areas as described in the Brady, *et al.* (2000) study is surely one factor. However, other factors such as demographic and household characteristics of leavers that differ across geographic areas may also be important.

IV. What Do We Know About Those Left Behind -- Those Still on the Welfare Rolls?

A number of questions arise related to those "left behind": Who are those that remain on the welfare rolls? How do they compare with those who have left welfare? Are certain groups or populations more likely to fail the transition off welfare?

These are important questions that may help answer whether welfare reform is, indeed, a "success" and serve as a guide for policy evaluation. Prior to welfare reform legislation, it was anticipated that those who remained on welfare (i.e., the population of stayers) would most likely be single mothers, the disabled, African Americans, Native Americans, Latinos, the elderly, and those possessing very low levels of education. These groups have been traditionally disadvantaged in labor markets and are the most likely to experience labor market distress (Findeis, 1993). They are among the most likely to be unemployed or, more broadly, underemployed -- unable to find jobs that provide an adequate level of earnings either because wages are low or because work is intermittent or only part-time. It was believed that these groups would be the most likely to be "left behind", as the new PRWORA legislation took effect.

Studies that have been conducted since PRWORA have, indeed, shown that while those that remain on welfare in both urban and rural locations tend to possess one or more of the characteristics of these groups, leavers also have in many respects *very similar characteristics*. For example, as discussed previously, March CPS data for 1996-97 show that, compared to leavers, welfare recipients are slightly more likely to be nonwhite and more likely to be female. Yet, at the same time, a high proportion of leavers are nonwhite and/or female. As a result, this is not a simple story of the traditionally disadvantaged being left behind. The story is also not one of leavers under PRWORA no longer being in poverty. Leavers in both the central cities and rural areas are very often remaining poor, but have moved into the class of the working poor. This persistence in poverty has been frequently observed (see Meyer and Cancian, 1998), although some recent studies have noted concurrent declines in poverty rates (Lichter and Jensen, 2000).

Given the similarities in at least some of the basic demographic characteristics of welfare recipients, those that have left the rolls, and those that have never been on welfare but are still poor, it is important to understand in what ways those that have not been able to leave welfare are both similar and different from these other groups. Using administrative data from the Family Investment Program in Iowa for 1993-95, Jensen, *et al.* (2000) provide an analysis of leavers versus stayers in urban, metro, rural adjacent, and rural nonadjacent locations. The study results show the following:

1. *In all locations, current recipients are somewhat less likely to have graduated from high school than leavers.* For example, in the most rural locations (i.e., rural non-adjacent), 32 percent of stayers had not graduated from high school as compared to 29 percent for leavers[10]. In rural areas adjacent to metro locations, 35 percent of recipients had not

[10]All percentages are for year 2 observations, as discussed in Jensen, *et al.* (2000).

graduated and 30 percent of leavers had. In urban locations in the state, 39 percent of those staying on welfare had not graduated while 33 percent of leavers also possessed only this very low level of education.

2. *A large proportion of both recipients and leavers are unmarried, in both urban and rural locations.* For example, in rural areas 76 percent of current recipients in the Jensen, *et al.* (2000) study were not married -- this compares to 74 percent of leavers in rural nonadjacent areas and 71 percent in rural adjacent areas. The perception that *metro* welfare recipients are less likely to be married was observed (87 percent unmarried for recipients and 80 percent for leavers), but the *urban* designation tended to cloud these location-related differences. Other studies have also shown that rates of marriage are somewhat higher in the leaver population, although the rates are not that different. It is clear that many that leave welfare are not married, and some are. It is equally clear that this is also true for those remaining on the welfare rolls.

3. *The average number of children and average level of child support vary considerably between those that stay on welfare and leavers in both rural and urban locations.* The Jensen, *et al.* (2000) study also shows that, regardless of location, the average number of children is higher among recipients than leavers. Further, average levels of child support are *much higher* among leavers than recipients. These trends were observed in both rural and urban locations -- recipients in all locations had over 2.25 children per family, while leavers had about 2.00 children on average. Recipients were almost as likely to receive child support as leavers but received a much lower level of support. In the most remote rural areas, recipients received only $421 of child support annually and leavers received $2,521, on average; in rural adjacent locations, the results are similar: recipients received $418 and leavers received an average $2,462 annually. The averages among both recipients and leavers were observed to be slightly lower in urban areas, but similar differentials exist between recipients and those that leave welfare.

4. *Both recipients and leavers are likely to be employed, although leavers appear to work more time and have higher earnings.* Those leaving welfare earned an average $17,487 annually in rural nonadjacent locations and $17,758 in rural adjacent areas. This compares to $10,771 and $11,170 on average annually for recipients in these locations. Current welfare recipients generally worked less time than leavers. At the same time, 75 percent of welfare recipients in the more rural locations and 76 percent of recipients in rural adjacent areas reported employment. This compares to 78 percent and 81 percent in both locations that had left welfare.

In comparison, in metro and urban areas, 74 percent and 78 percent of leavers were employed, respectively, and about the same percentages (74 percent and 77 percent) of those that remained on welfare also worked. However, the average annual wage income among leavers was $14,665 in metro areas, compared to $8,504 among recipients. In urban areas, leavers earned $16,110 annually and those on welfare earned only $10,070. And in each case welfare recipients worked less time, at lower per hour wages.

Finally, Jensen, *et al.* (2000) didn't analyze differences in race/ethnicity, given the largely white composition of the Iowa sample, but studies suggest that race/ethnicity effects may be

different in rural than urban settings. For example, McKernan, *et al.* (2000) report that in both rural and urban locations, employment of single African-American mothers increased post-PRWORA from pre-PRWORA levels by surprisingly comparable levels, but that Hispanic single mothers in rural areas appear to be more disadvantaged than in urban areas. McKernan, *et al.* (2000) report that site visit findings suggest that rural Hispanics have not seen employment gains following PRWORA, at least in part because English language resources are not readily available in some rural areas, making it more difficult for rural Hispanics to obtain the English language skills necessary for employment in some locations. For Native American families, Pickering (2000) argues that welfare reform has had negative effects on reservation populations by encouraging work off the reservation, exacerbating the on-reservation versus off-reservation work dilemma that already has been shown to exist (see Antell, Blevins, Jensen, and Massey, 1999).

Employment Barriers for Stayers

Rural-urban differences and the interrelatedness of factors associated with moving individuals and families from welfare to work all significantly influence welfare reform efforts in rural areas. As discussed in the literature (see, for example, RUPRI, 1998 and 1999), a key focus for welfare reform is connecting individuals with appropriate skills to economic opportunities. However, several intervening factors including child care, transportation, and health care can present barriers to the successful matching of trained individuals with employment opportunities (Danziger, 2000; Loprest, 1999). These barriers may be more constraining in rural areas. Given the low density of population in rural areas that makes provision of public services especially difficult, such barriers are likely to be more prevalent and may extend the likelihood and time of welfare participation, dependency and recidivism of rural individuals. Under these circumstances, such individuals will tend to prolong their dependency and burden to the welfare system.

Several recent studies have shown that the more barriers to employment a welfare recipient faces, the more difficult it is to successfully leave welfare (Danziger, *et al.* 1999; Zedlewski, 1999; Danziger, 2000). For rural areas, barriers to employment may be particularly important (Fletcher, *et al.*, 2000). Weber and Duncan (2000) state that the low population density in rural areas causes three major problems for rural families attempting to leave welfare for work: a greater distance to jobs combined with a lack of transportation, lack of key social and educational services and lack of childcare options. Danziger, *et al.* (1999) also show that most recipients have multiple barriers and that the number of barriers is strongly and negatively associated with employment status. In addition, Danziger, *et al.* (1999) report that an expanded regression model that includes these barriers is a *significantly better predictor of employment* than a model that only includes variables typically measured, such as education, work experience and welfare history.

Multiple barriers faced by individuals increase the likelihood of being among those "left behind." By the same token, RUPRI (1999) states that (a) rural residents and communities face unique barriers in responding to welfare reform objectives, (b) rural workers are more likely to earn minimum wages, and (c) rural families are more likely to be employed and still be poor. For example, Zedlewski (1999) reports that more than 10 percent of TANF recipients report obstacles to work related to lack of a car, and in nonmetro areas this percentage is even higher.

Poor mental and physical health (43 percent), less than a high school education (41 percent), and not having worked for more than three years (48 percent) are the most reported obstacles by TANF recipients (Zedlewski, 1999). Moreover, Zedlewski (1999:1) affirms that "those who reported two or more obstacles to work and no current work activity represent a group at high risk of remaining on welfare; they comprise 27 percent of TANF recipients".

Child Care and Transportation

Families in rural areas have less access to regulated child care, fewer trained child care professionals, and depend more on care given by relatives and friends (Hofferth, Brayfield, Deich and Holcomb, 1991). It is also the case that rural families are often unable to find infant care and child care for second and third shift work, a problem also common in urban areas (Fletcher, *et al.*, 2000). Finally, it is generally more difficult to secure reliable and affordable child care to enable work when there are more children in the family, a problem that may be viewed as a significant restraint to work.

To obtain child care, rural families travel greater distances than urban families (Emlen, 1991). Yet many poor families do not own vehicles, an observation supported by a recent study by Fletcher and Jensen (1999) that showed that only one in four adult FIP recipients in Lee County, Iowa owned a registered vehicle. In addition, 40 percent of all rural residents live in areas with no form of public transportation and another 28 percent live in areas with very low levels of service provision (Rucker, 1994; CTAA, 1998). According to the Federal Highway Administration cited by RUPRI (1999), nearly 80 percent of rural counties have no public bus service, compared to 2 percent of metro counties.

Rural areas face unique challenges in meeting transportation needs. Transportation is a particularly important issue because it knits together many other barriers to employment. Transportation is necessary not only to get to and from a job, but is also critical for accessing childcare, health care, and other activities. In an Iowa qualitative case study, Fletcher, *et al.* (2000) cite study participants having to travel very long distances for health care service and jobs, in particular.

Finally, a comparison of rural and urban/suburban employers of MFIP recipients conducted by Wilder Research Center (2000) showed that 30 percent of the sampled Minnesota employers cited "transportation problems" as a principal barrier to hiring and retaining MFIP recipients, compared to 23 percent of urban/suburban employers. Child care problems were viewed as a main barrier by about the same percentage of rural as urban/suburban employers (27 percent compared to 26 percent). Interestingly, when asked what recipients could do to deal with the barriers they face, rural employers surveyed by Wilder Research Center (2000) were more likely than urban/suburban employers to respond that their workers needed to secure transportation, child care, and other supports. At the same time, it should be noted that lack of soft skills, poor attitudes, and lack of life skills were viewed as even more important deficiencies needing to be addressed, by 75 percent of employers in urban/suburban areas and by 62 percent in rural areas.

Health Care

Access to health care is more limited in rural areas. Nearly 22 million rural residents resided in federally-designated Health Professions Shortage Areas or Medically Underserved Areas as of June, 1996 (HCFA, 1998). Most health services are less available in rural areas than in urban areas (Saywell, Zollinger, Schafer, Schmit and Ladd, 1993; Vogel and Coward, 1995). Rural residents are underserved by primary care physicians (Physician Payment Review Commission, 1994). Poor health decreases productivity and participation in the labor force (Vogel and Coward, 1995).

Fewer individuals and children have health insurance in rural areas than in urban locations. Approximately 2.1 million rural children have no health insurance, 67 percent of whom are below 200 percent of the poverty threshold (U.S. Department of Agriculture, 1996). Overall, rural children are more likely to need but not receive dental care, and are more likely to experience a delay in receiving care due to cost (Clark, Randolph, Savitz, and Ricketts, 1997). A higher proportion of residents in nonmetro areas are uninsured as compared to metro residents (Hartley, Quam and Lurie, 1994; Frenzen, 1993). Also, a higher proportion of rural residents lack comprehensive health insurance coverage (Agency for Health Care Policy and Research, 1995). Higher infant mortality rates are also observed in rural areas (National Center for Health Statistics, 1988), a problem that has been in part attributed to less access to health resources in rural than urban areas (Clarke and Coward, 1991). And there are pockets of poverty in rural areas where deficiencies in health care are nearly universal. For example, this is the case in areas with high concentrations of migrant farmworkers.

Because rural employers are more likely to be small -- and small employers are less likely to offer health care insurance -- moving from welfare to work in rural areas is more likely to involve loss of health care coverage.

Employment Opportunities

It should also be kept in mind that employment opportunities in rural areas are generally much weaker than in urban areas, a problem that is not a barrier *per se* to moving off welfare, but is a barrier to moving out of poverty. Compared to urban areas, rural economies typically have higher rates of unemployment and other forms of underemployment, including a higher proportion of "discouraged workers", involuntary part-time workers, and workers earning near poverty-level wages (Lichter, 1987; Jensen, Findeis, Hsu and Schachter, 1999; Findeis and Jensen, 1998). As shown by Parker and Whitener (1997), a higher percentage of rural residents earn the minimum wage than urban residents, and rural workers are more likely to be employed in multiple jobs to make ends meet (Parker, 1997). This is principally because of the economic opportunity structure faced by rural residents -- there are not enough "good jobs", or even adequate jobs. This problem has been well-documented by many researchers in the rural literature (see Findeis, 1993 for a review).

The bottom-line result of the weak rural employment opportunity structure is that a surprising number of rural residents are remaining poor, even in this period of significant economic prosperity in the U.S. As shown by Zimmerman and Garkovich (1998), *even presuming employment*, a substantial gap exists between those that rely now on their earnings and the

typical cost of living for families dependent on welfare. One of the most important questions now is whether the *long-term employment prospects* of those moving off welfare will improve over time. However, given the weak employment structure observed in many if not most rural areas, this appears relatively unlikely -- the results of research by both Wang (1999) and Findeis and Jensen (1998) show that rural residents employed in marginal jobs in rural areas are less likely than metro residents to move upward out of these jobs into adequate employment.

CONCLUSIONS

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) was put in place in the best of times. Against a backdrop of a growing and prosperous economy, incentives and initiatives to work rather than rely on entitlements have meant significant reductions in welfare caseloads in the U.S.. This has occurred in both rural and urban settings, where reductions in caseloads are attributable in part to the legislation itself but also to a strong U.S. economy that has added jobs to ease and facilitate the transition to work. At the same time, it is important to recognize that some communities have been slower to respond and to see the caseload reductions that are observed overall for the U.S. These include some 600 rural counties across the U.S. that are classified as persistently poor, as well as approximately 50 urban core locations. *Even in the best of times*, these communities have found it difficult to increase dependence on work. This is certainly true in many rural communities across America.

The rural poor in general have different characteristics than their urban counterparts, and therefore it is reasonable to expect that experiences under PRWORA in rural communities will be different than in the cities and suburban areas. The rural poor, for example, are more likely to work, to be nonHispanic white, and to be married. Under PRWORA, reductions in caseloads have generally increased the working poor population, as former welfare recipients have found part-time jobs, jobs in low-wage services, and jobs that lack benefits. While it can be argued that these jobs are at least a start on the job ladder, in rural areas of the U.S. the generally weak employment opportunities that exist there limit upward mobility. The result has been a reduction in caseloads in rural areas coupled with a corresponding increase in the prevalence of the working poor, with few opportunities for upward mobility.

An important concern at this time is the effect of a downturn in the business cycle on welfare recipients that are either trying to gain employment or who have already made the transition from welfare to work. A downturn in the economy will eventually occur and the relevant question is: how will individuals and their families fare without a safety net in place, or at least without a safety net that is in place for very long. Rural areas are known to respond differently to business cycles than urban areas that have a greater diversity of employment opportunities. In the last two decades, rural areas of the U.S. have been harder hit by recession -- a recession will clearly have an overall negative effect on the ability of former welfare recipients to work and it is likely that this effect will be particularly pronounced in rural areas.

Finally, the greater degree of spatial dispersion of people, jobs and services in rural areas will likely exert a negative influence on the rural impacts of PRWORA in the long run. It is

reasonable to posit that rural communities will face both more, and more constraining, barriers to work than urban areas, due to the difficulties rural areas face in providing childcare, transportation and health care services, as well as other services that help facilitate participation in work. Although comparative studies undertaken to date generally show the same barriers constrain work in both rural and urban locations, it may well be that overcoming such barriers in the longer run, to allow for continuous work, will be more difficult in rural areas, simply because the options are fewer.

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Appendix: Table 1. Why Welfare and Food Stamp Caseloads Fell in the 1990's:

Study	Data	Dependent Variable	Key Variables Included for:	Results on Key Variables for Rural/Urban Differences
Goetz, Stephan J. et al. (1999) "Economic Downturns and Welfare Reform: An Exploratory County-Level Analysis"	Annual county level panel data 1995-98 for Kentucky (Note: Not all variables cover entire period)	(1998 TANF caseloads per 1997 TANF caseloads) – 1	1. Rural/Urban Difference: Dummy for nonadjacent rural county Number of Family Resource Youth Service Centers per Number of child recipients Number of Licensed day care slots per Number of child recipients 2. Welfare Reform: Percent decline in recipients, Jun 97-Feb 98 Number of adult recipients, Jun 97 Wage and salary earnings per annual welfare grant 3. Economy: Unemployment Rate, 1997 annual average Change in unemployment rate, 1996-97 Ln(wage & salary jobs 1996 per wage and salary jobs 1995) Retail jobs 1996 per adult welfare recipient 1997 4. Work Support: None 5. Other Key Controls: Percent recipients aged 18-20 yrs Number of child recipients per Number of adult recipients Percent of recipients on welfare 2 or more yrs Percent of recipients with High school, GED, or higher Percent recipients unemployed with no work history	***Rural/Urban Difference:*** *Caseloads in nonadjacent rural counties were smaller than reductions in other parts of the state.* Welfare Reform: No effects from wage and salary earnings per annual welfare grant. Economy: Higher unemployment rate produced smaller decline in welfare caseloads by Feb 1998. Larger number of retail jobs produced larger caseload decline. Rapid total job growth produced smaller caseload decline. Work Support: None Other Key Controls: Smaller caseload decline for larger proportion of adults age 18-20. Faster caseload decline for larger proportion of recipients receiving cash assistance for over 2 years. Faster decline for higher education attainment. Slower decline for larger proportion of recipients without prior work history.

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Study	Data	Dependent Variable	Key Variables Included for:	Results on Key Variables for Rural/Urban Differences
Mills, Bradford F. et al. (2000) "The Impact of Welfare Reform Across Metropolitan and Non-Metropolitan Areas: A Non-Parametric Analysis"	Current Population Survey Data from years 1993 and 99	Dependent variable – Several Logit models combining status of workforce and welfare, for single female headed families with children.	1. Rural/Urban Difference: Dummy for non-metro area 2. Welfare Reform: None 3. Economy: Unemployment Rate 4. Work Support: None 5. Other Key Controls: Age Previously married Number of children under 6 years Number of children between 6 and 17 years Race Ethnicity High school degree Some college College degree Dummy for residence in the South	***Rural/Urban Difference:*** *Average per-capita receipts lower in Non-met areas.* *More pronounced gains in non-met per-capita income.* **Smaller reductions in non-met public assistance benefits.** Economy: Unemployment rate shifts explain minor portion of influence of workforce and welfare program participation changes on per capita receipts. Lower unemployment rates are positively associated with being in workforce and not on welfare. Other Key Controls: Increases in levels of education and age shifts per capita receipts. Comparing models: Gains in per-capita total receipts (earnings, other income, and public assistance) due to welfare to work transitions. Shift in status from not in workforce – on welfare to workforce – not on welfare.

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Study	Data	Dependent Variable	Key Variables Included for:	Results on Key Variables for Rural/Urban Differences
Ziliak, James P. and David N. Figlio. (2000) "Geographic Differences in AFDC and Food Stamp Caseloads in the Welfare Reform Era"	Monthly county panel data for Oregon and Wisconsin for years 1992-99	Ln(welfare caseloads per population)	1. Rural/Urban Difference: Models done for total, rural, and urban counties 2. Welfare Reform: None 3. Economy: Unemployment rate 4. Work Support: None 5. Other Key Controls: Time Effect: Trends Month effects County fixed effects	***Rural/Urban Difference:*** *Elasticity of rural caseloads with respect to unemployment rate is 75 percent lower than urban caseloads.* *Urban caseloads are more countercyclical than rural caseloads with regard to national labor markets.* *Rural AFDC clients face seasonal variation.* *The long-run impact of local unemployment rate on total and rural caseloads is about 30 and 100 percent higher respectively in the dynamic model versus the static model.* *Rural-urban differences with regard to interaction of earlier welfare reform waivers and business cycle.* *Strong macroeconomy enhanced the effects of early waivers on AFDC/TANF and Food Stamp caseload reductions associated with welfare reform in rural counties in Oregon.* Welfare Reform: Welfare reform is more dominant than economic growth in explaining recent caseload reductions. No strong interactive effect in recent rounds of welfare reform efforts. Economy: Monthly caseloads increase as unemployment rate increases. Other Key Controls: No geographic differences in the cyclicality of welfare caseloads across space in the long run after controlling for business cycles and caseload dynamics (except for Food Stamps in Oregon).

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Study	Data	Dependent Variable	Key Variables Included for:	Results on Key Variables for Rural/Urban Differences
Porter, Trawana et al. (1999) "More to Welfare Reform than a big caseload decline"	Monthly panel data for Virginia for years, 1993-99 Sample of household workforce participation among single female heads of households in Northern and Southwestern Virginia		1. Rural/Urban Difference: Caseload trends analyzed for metro, non-met adjacent and non-met nonadjacent counties.	***Rural/Urban Difference:*** *Non-met non-adjacent counties have a faster rate of caseload decline than metro and non-met adjacent counties from 1993-1999.* *Access to affordable child care, transportation, and employment opportunities that provide a living wage were cited as constraints to workforce participation pose more problems in non-metro areas than metro areas.* Welfare Reform: Welfare reform has effect on caseloads in addition to effects from economy. Economy: Close correlation exists between caseload declines and the growth of job opportunities. Welfare caseloads decline faster as the unemployment goes down.

Study	Data	Dependent Variable	Key Variables Included for:	Results on Key Variables for Rural/Urban Differences
McKernan, Signe-Mary et al. (2000) "The Relationship Between Rural-Urban Locations, Changing Welfare Policies, and the Employment of Single Mothers"	Panel data constructed from 10 localities in Arkansas, California, Maine, and Alabama for years 1993 and 1998; Current Population Survey data for 1995-96 and 1998-99	Dependent variable probability of being employed for single females for difference equations Employment – indicator variable (1 if employed in survey week zero otherwise)	1. Rural/Urban Difference: Dummy for rural 2. Welfare Reform: Dummy for potentially eligible for welfare Dummy for post-welfare reform year Set of variables for work requirements, time limits, sanctions, transitional benefits, asset limits, and in-kind income (Used in Employment models) 3. Economy: Employment growth rates Unemployment rate (Used in Employment models) 4. Work Support: None 5. Other Key Controls: Dummy for child under 18 years of age Age (Used in Employment models) Education (Used in Employment models) Race (Used in Employment models) Marital Status (Used in Employment models)	***Rural/Urban Difference:*** *Site visits concluded inadequate transportation, labor market conditions, education levels, and transitional benefits affect employment in rural areas.* *Rural areas were not doing as well prior to reform saw smaller improvements after reform.* *Using difference estimators for rural-urban employment difference:* *Welfare reform increased the probability of employment for single mothers with children that were eligible for welfare.* *Reform had smaller employment effect on low-educated mothers and single Hispanic mothers but a higher effect on high-educated mothers in rural areas.* *Employment level of single mothers started out slightly higher and gained almost as much in rural areas as in urban areas.* Welfare Reform: Reform produced increased employment for low-educated single mothers in urban areas. Economy: Despite higher unemployment, rural mothers more likely to work than urban mothers prior to reform. Unemployment rates were higher in rural areas before reform and improved less after reform. Employment rates were lower in rural areas before reform and improved less after reform. Other Key Controls: Education produces different rural-urban effects. Level of employment for high education rural single mothers fell short of urban counterparts.

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Study	Data	Dependent Variable	Key Variables Included for:	Results on Key Variables for Rural/Urban Differences
Henry et al. (2000) "Reducing Food Stamp and Welfare Caseloads in the South: Are Rural Areas Less Likely to Succeed Than Urban Centers?"	Monthly county level panel data for SC and MS, for years 1990-99	Ln(welfare caseloads / laborforce)	1. Rural/Urban Difference: Dummies for different classifications of non-metro counties – metro status, adjacency to metro area or economic dependence 2. Welfare Reform: Dummy for TANF activation in state 3. Economy: Unemployment rate Employment growth rates 4. Work Support: None 5. Other Key Controls: EITC Ratio of the value of State minimum wage to maximum benefits Separate model with dummies for BEA Component Economic Areas	***Rural/Urban Difference:*** **For both states:** *Strong metro advantage in reducing the rate of welfare and food stamp participation.* *Slightly higher disadvantage for rural non-adjacent counties in reducing the rate of welfare and food stamp participation.* *For South Carolina:* *The region variables indicate that welfare and food stamp participation is higher in non-metro areas and persistent poverty areas.* *For Mississippi:* *The region variables indicate that welfare participation is higher in non-metro areas and agricultural dependent areas.* *Rural non-adjacent counties had a slightly lower food stamp participation rate.* Welfare Reform: For both states: Reform alone has not been important in reducing caseloads. Economy: For both states: Interactive effect with stronger local economy (job growth) is needed. Stronger local economy is needed for reform to work. Other Key Controls: For both states: Increasing opportunity Cost (minimum wage relative to AFDC/TANF) and EITC reduces welfare participation. Increasing minimum wage and EITC reduces food stamp participation. For South Carolina: There is a possibility of reducing food stamp participation by reducing AFDC/TANF caseloads.

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Study	Data	Dependent Variable	Key Variables Included for:	Results on Key Variables for Rural/Urban Differences
Brady, Henry E. et al. (2000) "The Interaction of Welfare Use and Employment Dynamics in Rural and Agricultural California Counties"	Monthly county-level panel data for California, for years 1987-97	Discrete time hazard (exit rate) model for welfare program exit, 1 = exited else 0	1. Rural/Urban Difference: Dummy for rural county Dummy for agricultural county Dummy for mixed county type 2. Welfare Reform: None 3. Economy: Variables for farm, service, retail, and other employment 4. Work Support: None 5. Other Key Controls: Age Welfare spell duration effects Dummy for month of year County fixed effects	***Rural/Urban Difference:*** *Rural welfare caseloads in California are very seasonal.* *The average welfare recipient in rural or agricultural counties is more likely to use welfare assistance programs than urban counterpart.* *The average welfare recipient in rural or agricultural counties is more likely to exit the welfare program faster than urban counterpart.* *More seasonality in rural caseloads – mainly summer months.*

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Study	Data	Dependent Variable	Key Variables Included for:	Results on Key Variables for Rural/Urban Differences
Connolly, Laura S. (2000) "The Effects of Welfare Reform on the Incomes and Earnings of Low-Income Families: Evidence from the Current Population Survey"	March Current Population Survey Data for years 1993-95 used to construct synthetic panel data	Difference between predicted year 2 log earnings in and observed year 1 log earnings. Difference between predicted year 2 log income in and observed year 1 log income.	1. Rural/Urban Difference: Separate models for rural and urban areas 2. Welfare Reform: Waiver variables for work requirements, incentives, or combinations of both. 3. Economy: Unemployment rates Change in gross state product over the two years 4. Work Support: None 5. Other Key Controls: None	***Rural/Urban Difference:*** *Rural residents may realize fewer economic gains but rural recipients are somewhat insulated from the negative effects of reform.* *Single female headed households in rural areas had lower income growth during 1993-94 due to the work requirement waiver compared to similar rural households without the waiver.* *Single female headed households in urban areas had lower income growth during 1994-95 due to the work requirement waiver compared to similar urban households without the waiver.* Welfare Reform: Early waivers had little effect on earnings and a small, negative impact on family incomes. Early waivers had more detrimental impact to urban residents.
McConnell, Sheena and James Ohls (2000) "Food Stamps in Rural America: Special Issues and Common Themes"	Data obtained from Current Population Survey, Food Stamp Program's Quality Control sample, and the National Food Stamp Survey for 1998	Descriptive study		***Rural/Urban Difference:*** *Rural and urban food stamp recipients differ with respect to demographics, usage, and benefits level.* **Food stamp participation rates are higher in rural areas.** *The recent decline in food stamp participation rates occurred in urban areas.* *Confusion about program eligibility may account for the decline in program participation rates in urban areas.* *Less confusion about eligibility and "user friendly" Transportation is not a barrier in food stamp program participation.*

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Study	Data	Dependent Variable	Key Variables Included for:	Results on Key Variables for Rural/Urban Differences
Weber, Bruce and Greg Duncan (2000) "Welfare Reform and Food Assistance in Rural America"		Congressional Research Briefing on Welfare Reform and Rural Poverty drawn from materials presented at the May 2000 Rural Poverty Research Conference.		***Rural/Urban Difference:*** **On average, rural caseload drops from 1993-99 have been just as large as urban caseload drops.** *Food stamp participation rates fell more in urban areas than rural areas.* Welfare Reform: Welfare reform has smaller impacts on employment and earnings in rural areas than urban areas due to demographics, poorer job opportunities, and lack of critical work supports in rural areas.
Rural Policy Research Institute (1999) "Rural America and Welfare Reform: an Overview Assessment"				***Rural/Urban Difference:*** *In 1997, public assistance participation rates were 11 percent nationally, 13 percent in central cities, 10 percent in suburbs, and 8 percent in rural areas.* *Between 1992 and 1997, participation rate fell by 8 percentage points (38 percent caseload decline) central cities, 5 percentage points (33 percent caseload decline) in suburbs, and 5 percentage points (33 percent caseload decline) in rural areas.* *Caseload declines are higher in rural areas than in urban areas in Missouri and South Carolina, but are lower in rural areas in Kentucky, Mississippi, and Oregon.*
Allen, Katherine and Maria Kirby (2000) "Unfinished Business: Why Cities Matter to Welfare Reform"	Survey data from 89 urban counties that contain the 100 largest U.S. cities between 1994 and 1999			***Rural/Urban Difference:*** *Urban caseloads are declining rapidly but slower than national caseloads.* *Urban areas share of families on welfare has increased.* *Urban counties have larger shares of the state's total welfare cases.*

Study	Data	Dependent Variable	Key Variables Included for:	Results on Key Variables for Rural/Urban Differences
Keng, Shao-Hsun et al. (2000) "Welfare Dependence, Recidivism, and the Future for Recipients of Temporary Assistance for Needy Families (TANF)"	Monthly county level panel data from April 1993 to March 1996 for Iowa	Total time (in months) on Iowa's Family Investment Program (FIP) per recipient A semiparametric duration model is used to examine recidivism	1. Rural/Urban Difference: Dummy for metro county 2. Welfare Reform: None 3. Economy: Unemployment Rate Predicted quarterly wage rate 4. Work Support: None 5. Other Key Controls: Annual child support collections Number of children in household Marital status Education Race Gender	***Rural/Urban Difference:*** *Living in a metro county increases the length of time on FIP.* *Living in a metro county decreases the reentry hazard but the coefficient was not significant.* Economy: Higher unemployment rates increase the length of time on FIP. Higher wage rates decrease the length of time on FIP. Higher wage rates increase the reentry hazard. Other Key Controls: More children in the household increase the length of time on FIP. More children in the household increase the reentry hazard.

Study	Data	Dependent Variable	Key Variables Included for:	Results on Key Variables for Rural/Urban Differences
The following are national studies that do not focus on rural/urban differences per se. They are included because they were the first to analyze welfare reform.				
Blank, R. (1997) "What Causes Public Assistance Caseloads to Grow?"	Annual state panel data, for years 1977-95 Monthly state panel data, for years 1977-96	Ln(AFDC caseloads female population ages 15-44) VAR model using Ln(AFDC caseloads) and unemployment rates as codetermined	1. Rural/Urban Difference: None 2. Welfare Reform: Waivers and benefits level 3. Economy: Unemployment rates 4. Work Support: None 5. Other Key Controls: Demographic Political Year effects State effects	Economy: Economic factors account for 23 percent of caseload change in 1990-94 and 51 percent in 1994-95. Using monthly data, increasing unemployment rate increases caseloads.
Ziliak et al. (1998) "Accounting for the Decline in AFDC Caseloads: Welfare Reform or Economic Growth?"	Annual state panel data, for years 1987-96 Monthly state panel data, for years 1987-96	Ln(AFDC caseloads) per total population	1. Rural/Urban Difference: None 2. Welfare Reform: Waiver dates 3. Economy: Unemployment Rates 4. Work Support: None 5. Other Key Controls: State effects	Welfare Reform: Waivers account for 9.1 percent of caseload change. Economy: Using annual data: A 1-point increase in the unemployment rate accounts for 4.1 percent of caseload change. Using monthly data: Economic and seasonal factors account for 78 percent of caseload changes in 26 states with the largest caseload reduction.

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Study	Data	Dependent Variable	Key Variables Included for:	Results on Key Variables for Rural/Urban Differences
Council of Economic Advisors (1997) "Explaining the Decline in Welfare Receipt, 1993-1996	Annual state panel data, for years 1976-96	Ln(AFDC caseloads) per total population	1. Rural/Urban Difference: None 2. Welfare Reform: Program waivers and benefits 3. Economy: Unemployment Rates 4. Work Support: None 5. Other Key Controls: State year trend Year effects State effects	Economy: Economic factors account for 24 - 31 percent of caseload change in 1989-93 and 31 - 45 percent in 1993-96. A 1-point increase in unemployment rate account for 4.1 percent of caseload change.
Levine and Whitmore (1998) "The Impact of Welfare Reform on the AFDC Caseload."	Annual state panel data, for years 1976-96	Ln(AFDC caseloads) per total population	1. Rural/Urban Difference: None 2. Welfare Reform: Program waivers and benefits 3. Economy: Unemployment Rates 4. Work Support: None 5. Other Key Controls: State year trend Year effects State effects	Welfare Reform: Waiver states have almost twice the caseload reduction given the same unemployment rates. Economy: Economic factors account for 24 - 31 percent of caseload change in 1989-93 and 31 - 45 percent in 1993-96.

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